

The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF
The Society of Incorporated Accountants
and Auditors



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Professional Notes.

In the report of the Council Meeting of the Society of Incorporated Accountants and Auditors it will be noted with much regret that Mr. Henry Morgan, F.S.A.A., following medical advice, has tendered his resignation as Vice-President of the Society, but he will retain his seat on the Council. The Council, in accepting Mr. Morgan's resignation, has expressed its cordial appreciation of the services rendered by him to the Society. Mr. Morgan has a wide knowledge of the higher branches of accountancy

practice, and he has delivered several thoughtful addresses in relation to the amendment of the Company Law and the position of auditors thereunder. We hope that his able counsels are being missed for a short period only.

The Council of the Society desires to draw the attention of members to the facilities afforded for their use at Incorporated Accountants' Hall. The Library has accommodation for over 10,000 volumes, and the Members' Room is suitably furnished and conveniently arranged for reading and writing.

"The Future of the Accountancy Profession" is the title of an address published in this issue, which was delivered before the Incorporated Accountants' Students' Society of London by Mr. Ernest E. Spicer, F.C.A. We cannot accept all Mr. Spicer's theories, and he will not expect us to. In his own inimitable way, he puts forward for consideration a number of ideas and proposals which are of a nature to make one pause and think. Mr. Spicer contends that any historical study of the gradual development of the legal profession would prove misleading as a guide to the future development of our own profession. The legal profession, he says, always has been and always will remain independent. Law is not an exact science, and the interpretation of law is often a matter of opinion; but accountancy is a science dealing with facts and the practical application of law.

It is impossible, in Mr. Spicer's view, to contemplate legislation requiring every company to employ a Government lawyer, but it requires little imagination to visualise a Government auditor. This would merely be an extension of the existing law as applied to liquidators, trustees and receivers, and would prove the beginning of the end. In Mr. Spicer's opinion our profession is not necessarily built upon an independent rock foundation, and he says it is no weakness to recognise this undoubted fact.

Mr. Spicer's vision of the professional accountant of the future will, if fulfilled, meet the most exacting standards. He visualises the professional accountant of the future as the most highly educated man in the kingdom. His knowledge of accountancy will be profound, his knowledge of law in certain directions will be considerable, he will write and speak at least one foreign language fluently, and he will be no mean orator in his native tongue, and all this specialised learning will be built upon a very wide and solid foundation of general education. In the

firms of the future Mr. Spicer suggests that each partner will be a specialist in his own line, and will know his subject backwards. Amalgamation, he says, will be the tendency of the day, and the smaller offices will gradually be absorbed.

The report of the Chief Registrar of Friendly Societies on the proceedings of Trade Unions for the year 1927 has been issued. During the year seventeen new unions were registered and sixteen were removed from the register. The number of registrations was one more than in the previous year. The Registrar states that following the general strike of 1926 the membership of registered unions of employees was reduced by 300,000, nearly half the decrease occurring in the mining group. The dispute benefit cost the unions £5,600,000, and expenditure on unemployment benefit was nearly £6,400,000, but of this £4,500,000 was recovered from the Ministry as State Unemployment Benefit. As a result of the abnormal expenditure the funds of the unions were reduced to £8,478,000, the lowest figure recorded since 1914.

Under the head of "defalcations" the Registrar records the case of one union which for several years employed a professional accountant as auditor, but subsequently for about seven years substituted unqualified auditors. In 1926 the professional accountant was again called in after the other auditors had completed their audit, and the result was the discovery of a shortage of £774 in the cash. This came to light through erasures in the bank pass book, and a visit to the bank by the professional accountant—a very striking example of the futility of appointing as auditors persons who have no qualifications for the work.

That the audit question is causing some concern was shown by the proceedings at the Annual Conference of the Midland Counties District of the Manchester Unity of Oddfellows, held at Leicester, where it was stated that the Chief Registrar of Friendly Societies was considering the taking of action to secure the more efficient auditing of the accounts of branches of friendly societies.

Mr. E. Clark, of Stamford, a director, said that at their last board meeting they had a visit from two representatives of the staff of the Chief Registrar of Friendly Societies. They came to consult them as to better accountancy and better audits. The Chief Registrar had been very disturbed at the present position, they said, and with certain societies he

would have to apply for drastic powers as to audit. In many societies the auditors were incompetent to perform their duties, and less efficient than the officials whose accounts they had to audit.

So far as they themselves were concerned, said the speaker, the Chief Registrar was satisfied with their audits, and that the men who had been appointed were competent to perform the duties. The directors considered, however, that the time had arrived when the Unity audits should be done by professional auditors and not by laymen.

A curious point on bills of exchange arose in the King's Bench Division in the case of *Mason v. Lack*. A bill was drawn in the usual terms and accepted by Mr. Lack, but at the time of acceptance there was no name upon it, and the defendant denied liability on three grounds: (1) that it was an accommodation bill for which there was no consideration; (2) that after the acceptance of the bill by him it was drawn by the plaintiff without his authority; and (3) that the instrument in question was not a bill of exchange at all because it was not drawn upon one person by another and did not comply with the requirements of the Bills of Exchange Act. Judgment was given in favour of the plaintiff on the first two grounds, but the Court held that the defendant was entitled to succeed on the ground that the document was not a bill of exchange, inasmuch as it did not comply with sect. 6 (1) of the Bills of Exchange Act, 1882, which stipulates that "the drawee must be named or otherwise indicated in the bill with reasonable certainty." It was decided, however, that although not a bill of exchange Mr. Lack was liable upon the document as a promissory note, the statutory definition of which is "an unconditional promise, in writing, made by one person to another, signed by the maker, engaging to pay, on demand or at a fixed determinable future time, a sum certain in money to, or to the order of, a specified person or to bearer."

A fine but rather important distinction is being drawn by the Court with regard to the assessment of property-owning companies. Two cases have recently come up for decision in both of which the Inland Revenue claimed that a business was being carried on, and that an assessment should be made on the ordinary lines applicable to Schedule D. The first case was that of *The Salisbury House Estate, Limited, v. Fry*, where the Court upheld the view of the Inland Revenue on the ground that the company maintained the control of the building by providing a uniformed staff of liftmen and porters

and a staff of cleaners. It also undertook the lighting and cleaning of the hall, corridors and staircases, and maintained a housekeeper who took in letters and attended to the locking up of the building every night.

The other case related to the affairs of *The City of London Real Property Company*. In some instances this company let its property on similar lines to those of the Salisbury House Company, in which cases it was held that the treatment as regards assessment must be the same, but in other instances the company simply held the properties and re-let them without rendering any service or exercising any control. In the latter event it was held that there was no liability beyond the Schedule A assessment, but where the company controlled the premises it was held that a trade was being carried on and that there was consequently a liability under Case I of Schedule D, upon the excess of the total receipts from the properties over the Schedule A assessment and the expenses. Doubtless these decisions will be applied in the case of private ownership as well as in the case of limited companies.

The present position with regard to allowances for obsolescence of plant and machinery in connection with income tax assessments is in several respects unsatisfactory, and the Inland Revenue is being pressed by Chambers of Commerce and other organisations to put the matter on a different basis. As a result of representations by the Federation of British Industries it is understood that the Inland Revenue Authorities have promised to take a liberal view in interpreting the rules applicable to this matter, and we understand that the Associated Chambers of Commerce are formulating suggestions for the amendment of the law, to which the Government have promised sympathetic consideration.

The Companies Bill passed its second reading in the House of Commons on Friday, April 26th. The President of the Board of Trade pointed out that it was purely a Bill to consolidate the Act which was passed last year with all the preceding Acts. It had been before a joint Committee of both Houses who had certified that it was purely a Consolidation Bill. The President paid a high tribute to the Parliamentary draughtsman who had put forward as difficult a piece of consolidation as any Parliamentary draughtsman had ever been called upon to produce. It looks now as if this Companies (Consolidation) Bill will pass into law before the dissolution of Parliament takes place.

The Desirability of Registration.

THE Local Legislation Committee of the House of Commons has had before them Clause 800 of the Chester Corporation Bill, which reads as follows:—
“The Corporation may appoint from time to time and pay one or more members of the Institute of Chartered Accountants or of the Society of Incorporated Accountants and Auditors to act as auditor or auditors of the accounts of the Corporation in such manner as the Corporation direct in lieu of the auditors appointed under the Municipal Corporations Act.

Counsel for the Chester Corporation informed the Committee that they were satisfied with the clause as it stood and they asked the Committee to pass it in that form. The London Association of Accountants Limited petitioned against the clause, which they wished to be extended so as to include the members of the Association. The Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors appeared by Counsel in support of the clause. After a long hearing of evidence submitted by the London Association, Counsel was heard on behalf of the Institute and the Society, and the Chairman on March 21st made the following statement. “This is a matter of very great importance, and as is the usual practice of dealing with such problems, it must be considered by the full Local Legislation Committee on the morning of April 16th, and a decision will then be given. While we as a Committee are responsible for the decision, and probably we could give one now, we feel we would like to confer with the full Committee, having in mind it is the same Committee, simply divided for a business purpose to get through our work, and inasmuch as the other members of the Committee have had a similar clause before them last year, and as it is the first time this clause has been before this Committee, we feel we are under the obligation to call the whole of the Local Legislation Committee together to consider the issue.” The “similar clause” referred to was that in the Stoke-on-Trent Bill, where the London Association failed to secure the removal of the limitation of the audit to Chartered or Incorporated Accountants.

On April 16th, the Chairman, Sir Thomas Robinson gave the decision of the Committee, which was that Clause 800 as submitted by the Chester Corporation should stand part of the Bill. He then proceeded to make the following statement. “I am desired to say that, in the opinion of the Committee, sound and reliable accounting is of paramount importance to industry, commerce and the investing public, and with a view to establishing an efficient accounting

public service we consider the time is opportune—in fact, we think it has arrived—for establishing a register of properly qualified persons, on the lines of the law and the medical service, and we suggest to the accounting world that they should seriously consider the matter of the register, the training, and the qualifications, as the Committee feel that all qualified persons should have the opportunity of giving public service. We trust that our observations will be considered seriously, because although nobody can tell who will be on this Committee in the next Parliament, those who are on the Committee will have some difficulty with a clause like this unless something is done by the accounting world, and we therefore ask the accounting world to take note of our observations."

Mr. Tyldesley Jones, K.C., intimated to the Committee that the observations of the Chairman would be carefully considered by both the Institute and the Society. The application of the London Association of Accountants to have their name included in the Bill has failed, but the question raised by Sir Thomas Robinson, as Chairman of the Committee, becomes a matter which must again be considered by all sections of the profession in Great Britain and Northern Ireland.

It will be seen from the report of the meeting of the Council of the Society, held on April 10th, that the Council had the matter before it previous to the decision of the Committee, with the result that the Council unanimously re-affirmed its belief that the registration of the profession of accountancy was desirable in the interests of the public and the profession, and considered that a Registration Bill should be promoted in Parliament. In connection with this resolution it is of interest to refer back to the report of the Council to the members of the Society for the year 1924, which contained the following reference to the subject:—"The Council have had under close consideration the question of registration for the profession. The circumstances of the profession are such that in their judgment the promotion of a measure to secure registration for the profession at the present time does not appear to be practicable. At the same time it is the considered view of the Council that registration would be in the interests of the profession as a whole." "The circumstances" referred to were that no prospect of any agreement seemed then to be possible among those who would be most closely affected by the passing of a Registration Act.

Although the Institute and the Society appeared before the Local Legislation Committee jointly, the decision given above is that of the Council of the Society alone. The Council of the Institute has yet to determine what its attitude towards

registration will be having regard to the statement of the Chairman of the Committee. It should be noted that the recent decision of the Council of the Society was unanimous, and we think that the Council took a proper and statesmanlike view. We cannot altogether expect the same unanimity throughout the ranks of the Society. The question has got to be considered on broad lines in the interests not only of the profession but of the public, which Sir Thomas Robinson emphasised. No prospect of individual advantage can be held out to Incorporated Accountants in having their names placed upon a register. Some of them may argue that as individuals they have more to lose than to gain by establishing a register of "qualified persons" which will have to include names not on the rolls of the Chartered or Incorporated Accountants.

The Council of the Society, fortunately for its members, has a considerable number of precedents to fall back upon in giving the matter consideration. In fact the Society is the one body of accountants in Great Britain which has been successful in passing a Registration Law, although it is not operating in this country. The Society has also had experience of Bills in both Houses of Parliament promoted by its Council alone, and of Bills promoted in conjunction with the Council of the Institute, and we hope that in the light of experience it will be possible to determine what to put forward and what to avoid.

In his concluding address before the Local Legislation Committee, Mr. Tyldesley Jones, K.C., said: "If you are going to have qualifications, what qualifications are you going to have? There is no doubt about it—everybody is agreed, even the reluctant witnesses in the chair—that if you want to have two bodies which represent an adequate qualification for the practice of the accountancy profession, the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors are par excellence such bodies, and the whole question is not who shall be the first, but who shall be two, three, four, five, six, and that is the whole contest."

It will be remembered that last year in the House of Lords the claims of the Central Association of Accountants, Limited, to recognition were dealt with in a somewhat drastic fashion on the Gloucester Corporation Bill. In the same session the Corporation of Accountants, Limited, presented a petition against the Stoke-on-Trent Corporation Bill, and subsequently withdrew it, and they have lodged during the current session no less than nine petitions against Corporation Bills which have been withdrawn at the last moment.

Knowing these things we do not under-estimate the difficulties of the profession and of those members of it who sincerely desire to maintain its authority and prestige. These difficulties have got to be faced and dealt with. Had greater wisdom ruled throughout the profession some twenty-five or thirty years ago an immense sacrifice of time and money would have been avoided, to the advantage of the public and of the profession alike.

Testator's Release of Executor's Debts.

THE rule that a debtor is released by being appointed executor to his creditor may be stated as follows. Where a testator has expressed, outside his will, the intention of forgiving a debt or making a gift of personal estate belonging to him to one who upon his death becomes his executor, the intention meanwhile continuing unchanged, the executor is entitled to hold the property for his own benefit, and the Court has admitted extrinsic evidence of the intention; but this rule is not to be extended further, *e.g.*, to a mere promise to give on a future occasion. The legal effect of the appointment of a debtor as executor is therefore to extinguish the debt; but in equity the executor is answerable for the amount of the debt as assets of the testator, not only in favour of creditors, but in favour of all persons taking beneficially. Where the debtor-executor proves the will, he must be taken as having had the amount of the debt in his hands as assets from the testator's death; he cannot accordingly set up the lapse of time between the death and the grant of probate to himself as a bar to the debt, and he is chargeable with interest from the death.

As the debt is extinguished at law by the appointment of the debtor as executor, and his liability is merely equitable, the claim in equity may be rebutted by evidence of an intention on the part of the testator to forgive the debt (*Strong v. Bird* (1874) L.R., 18 Eq., 315). Evidence, however, is only admissible in support of an intention to forgive the debt during the lifetime of the testator and not in support of an intention to forgive the debt by will.

In *Jenkins v. Jenkins* (1928, 2 K.B., 501), during the lifetime of a testator the executor named in his will and three other persons made a joint and several promissory note payable to him. After the death of the testator and probate of the will the executor brought an action against one of the other

makers thereof. It was held that the action was not maintainable, inasmuch as the effect of the plaintiff's appointment as executor was at common law that the debt was discharged by release at the date of the death of the testator, and in equity that it was discharged by payment at the date of probate, so that in either case the debt had ceased to exist before the action was brought. This case followed the old case of *Cheetham v. Ward* (1797, 1 Bos. & P., 680), where it was held that where a creditor makes his debtor or one of his joint and several debtors, his executor, either alone or with others, the debt is discharged by operation of law, for he cannot have an action against himself, and a personal thing if suspended is lost.

In *Freakley v. Fox* (1829, 9 B. & C., 130) it was held that where the payee and holder of a promissory note appoints the maker his executor, the debt is discharged, and no action can be maintained on the note, even by a person to whom the executor has indorsed it.

The position in equity after probate was explained in *re Bourne* (1906, 1 Ch., at p. 708), where the execution debtor was sought to be made liable. He was indebted to the testator in his lifetime, and by the will he was appointed executor, and he proved the will. The effect of that was that at law the debt was extinguished because there was no one to sue or be sued, but in equity he as debtor is held to have paid himself as executor, and therefore as executor to have in his possession the full amount of the debt as having been paid to him as executor. That is the view in equity, and it is on that view that he can be made liable in an action to administer the estate of the testator.

In *Wankford v. Wankford* (1708, 1 Salk., 299) it was held that where an obligor is made executor to the obligee and administers some of the goods but does not prove the will and dies, the debt is extinguished, and the administrator *cum testamento annexo* can have no action for it. Following these authorities the Court in *Jenkins v. Jenkins* (*supra*) summed up the law as follows:—

1.—At common law, if a creditor appoints his debtor his executor the effect is to release the debt on the death of the testator. The reason is that a debt is a right to sue, and an executor cannot sue himself. In this case the executor was one of a number who were jointly and severally indebted to the testator, and the result is that in law the appointment of the executor and the death of the testator effected a release of the debt. This is so not only as between the testator and the executor, but as between the testator and all and each of the joint debtors.

2.—In equity, an executor is liable to pay his debt if it is necessary in the interests of the creditors of the deceased, unless the executor can show a contrary intention of the testator to make him a gift of the amount of the debt. If the executor is thus held liable, the debt is regarded as assets in his hands, out of which equity will enforce payment. The result is that, if the plaintiff was not liable in equity, the debt was discharged by release at the testator's death; if the plaintiff was liable in equity, the debt was satisfied by payment at the date of the probate.

Two conclusions may be drawn from *Jenkins v. Jenkins* :—

1.—An executor-debtor is not precluded from suing his co-debtors in a personal capacity. If he had paid the debt he would have had a cause of action against the others for contributions, and if the assets were insufficient he is deemed, both in law and in equity, to have paid the debt and must satisfy it out of his own pocket.

2.—As the will was made before the note, it at first sight seems strange that by the appointment of an executor the testator should release a debt which was not then in existence. But the executor is not strictly appointed until the date of the testator's death, from which date the will operates (*Everett v. Everett* (1877) 7 Ch.D., 428). Where debts are expressly released by a will, it is at the testator's death that it is to be ascertained that the debts are to be released, and the same applies in regard to the implied release effected by making the debtor executor.

District Society of Incorporated Accountants.

SOUTH WALES AND MONMOUTHSHIRE.

NEWPORT AND DISTRICT STUDENTS' SECTION.

A meeting of the Newport Incorporated Accountants' Students' Society was held recently, when Mr. A. E. Pugh, F.S.A.A., F.C.I.S., F.R.Econ.S., gave an interesting lecture entitled "Some Aspects of Economics." Mr. Edward Mills, F.S.A.A. (President of the South Wales and Monmouthshire District Society of Incorporated Accountants), was present. Mr. Pugh dealt with points of special interest to accountancy students, and submitted a number of model answers to examination questions. After Mr. Pugh had answered a number of questions a hearty vote of thanks was accorded to him for his paper.

CREDIT TRADERS AND INCOME TAX.

The following has been issued by the Inland Revenue Department:—Arrangement for certain credit traders carrying on the business of selling goods for payment by weekly instalments, being the basis of valuation for income tax purposes, subject to the approval of the Income Tax Commissioners concerned, of debts outstanding at the date of stocktaking, where the period of credit given to the customer (excluding any period of grace) does not exceed a period of 40 weeks.

1.—In the case of an account where a sale of goods was made during the last thirteen weeks prior to stocktaking, the whole amount of the account shall be taken as good, that is, the debt shall be valued at 20s. in the £.

2.—Where no sale took place during the last thirteen weeks prior to stocktaking but cash was received during those thirteen weeks, the amount of the valuation of the balance of the debt outstanding at the date of the stocktaking shall be either—

- (a) 20s. in the £ on the amount so outstanding, or
- (b) The total amount of the cash received in respect of the account during the twelve months ended on the date of stocktaking,

whichever is the lower.

3.—All other debts (i.e., where there have been neither cash nor goods transactions within the last thirteen weeks prior to stocktaking) shall be regarded as of no value, and shall be treated as bad and doubtful debts.

4.—All amounts recovered on account of bad and doubtful debts are to be brought into account in the period in which payment is received.

5.—In the case of the sale of a journey, book or round, the valuation of the debts thus sold shall be adjusted as follows:—

- (a) The whole of the debts sold as good debts shall be shown in the accounts of both vendor and purchaser at the amount realised on the sale save that there shall be excluded from such amount—
 - (i) Any sum realised by a sale in excess of 20s. in the £ on the debts taken, or
 - (ii) Any sum which is specified in the agreement for sale as payment of a definite amount for goodwill.
- (b) Any bad and doubtful debts actually sold shall be shown at the actual figure at which transferred.

6.—For the purpose of computing the income tax assessment for the first year of assessment for which this scheme is adopted by any trader, valuation of debts on any other basis (whether or not such basis be one approved under any previous scheme) shall be ignored, and the debts outstanding at the beginning and end of the year, years or periods by reference to the profits of which the assessment falls to be computed, shall be revalued on the basis of this scheme, and the profits for such year, years or periods shall be adjusted accordingly, but only for the purpose aforesaid.

7.—It is a condition of this arrangement that a copy of the trader's profit and loss accounts and balance-sheets prepared and duly certified by a fully qualified accountant shall be furnished annually to the Inspector of Taxes, accompanied by the accountant's certificate that he has prepared the valuation of book debts strictly on the lines of this scheme, the valuation sheets to be available for inspection where deemed necessary.

8.—The adoption of this scheme by any credit trader shall be without prejudice to the statutory rights of the parties in the event of any dispute as to which an application or appeal is made to the General or Special Commissioners under the provisions of the Income Tax Acts.

The Future of the Accountancy Profession.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. ERNEST EVAN SPICER, F.C.A.

The chair was occupied by Mr. THOMAS KEENS, F.S.A.A.

THE CHAIRMAN: It gives me very great pleasure to preside here this evening, first, because of the Lecturer, and secondly because of the subject. It is very desirable that in every profession there should be men who take up the position of being statesmen of their profession. Probably among the greatest of these is the gentleman whose picture adorns the other end of the room—Sir James Martin. Sir James is unfortunately very ill. The message I had a few minutes ago was to the effect that he is now very much better, and to-morrow he proposes to go to Eastbourne, for which we are all profoundly thankful. It was one of the greatest regrets of his life that in the proceedings in connection with the opening of these buildings he was unfortunately prevented from being present. It is another great regret to him to know that in the continued struggle in the Committee Room of the House of Commons, which is going on at this moment, to uphold the interests and dignity of the profession, he is absent. It gives me very much pleasure, I say, to be here to-night because the lecturer is Mr. Spicer. I always look upon him as one of the great constructive thinkers of our profession. Many of us are so largely engaged in earning our living that we do not seem to have a great deal of time for independent thought. Mr. Spicer is to give us to-night some of his thoughts in connection with the future of the profession, in which I am sure we shall all be not merely interested, but we shall feel that in taking part in the discussion, which I trust will follow, that we can make some practical contribution towards the solution of those difficulties which those of us who have anything to do with the organisation of this profession know are always looming ahead. Without further introduction, and reserving any other remarks I may have until you have heard the lecture, I will now call on Mr. Spicer to deliver his address on "The Future of the Accountancy Profession."

FOREWORD.

MR. SPICER said: To be satisfied is to be lost, for it is the law of God that this world should keep on moving.

We must therefore look into the future, rather than contemplate the past, and while it is only right to acknowledge the efforts of those who have gone before us, our main duty should be to prepare the way for those who will come after us.

The future of the accountancy profession is apparent; either we shall develop into Government officials, or we shall maintain our independence as the reward of our efficiency. If the catastrophe visualised in the former alternative eventuates, the future will indeed be inglorious, and those of us who live to see it may well turn to the harmonium for consolation. If, however, as independent experts, we continue to guide the destinies of the financial world, we must be ready to assume ever increasing responsibilities, and our mental equipment must be regulated accordingly.

THE FUTURE DEVELOPMENT OF THE PROFESSION.

The profession will develop in many directions, and future statutory enactments will doubtless enlarge the scope of our activities, but along the lines of friendly co-operation with the legal profession will the future expansion of our duties

first become evident. This is obvious, because it is so necessary. Our co-operation will in no way detract from the importance of solicitors in the eyes of the public, and we shall certainly not encroach on legal preserves. On the contrary, we shall benefit the legal profession; we shall enhance our own status, and we shall confer a huge benefit on the public.

THE LEGAL AND THE ACCOUNTANCY PROFESSIONS.

No blame must be attached to the legal profession for having stood aloof in the past from the accountancy profession. At a certain age boys always imagine that girls fulfil no useful purpose in the scheme of things, but they gradually learn to think otherwise. Similarly, in the early days of accountancy, the legal profession imagined that it could get along without us, and even made a boast of its ignorance of all that we held most sacred, but all this is past and finished. The change has come gradually. It started with a very mild flirtation, but already we have passed the "walking out" stage. Regular marriage is, of course, out of the question, but co-habitation presents a possible solution, and might well be encouraged.

The two professions are complementary, and although a partition must separate their dwellings, the intercommunicating door should be left unbolted. The accountancy profession will not develop on the lines of the legal profession, and thus any historical study of the gradual development of the legal profession would prove misleading as a guide to the future development of our profession. The legal profession always has been and always will remain independent. Law is not an exact science, and the interpretation of law is often a matter of opinion; but accountancy is a science dealing with facts and the practical application of law.

It is impossible to contemplate legislation requiring every company to employ a Government lawyer, but it requires little imagination to visualise a Government auditor. This would merely be an extension of the existing law as applied to liquidators, trustees and receivers, and would prove the beginning of the end. Our profession, therefore, is not necessarily built upon an independent rock foundation, and it is no weakness to recognise this undoubted fact.

Up to the present we have failed to close our profession, and therefore it is impossible to obtain a satisfactory statutory definition of a qualified professional accountant. We must therefore create one for ourselves. We must teach the public instinctively to recognise the true article at a glance, and in the meanwhile we must educate ourselves so that our average standard of efficiency merits that public recognition of our definition of a qualified accountant. There must be a huge gulf between Chartered and Incorporated Accountants on the one hand, and all other so-called qualified accountants on the other, since upon our average standard depends the very existence of the profession. If that average standard rises the future is assured, but if it declines Government interference is not only probable, but almost inevitable.

THE PUBLIC AND THE ACCOUNTANCY PROFESSION.

The public must be taught that a qualified accountant is necessarily either a member of the Institute of Chartered Accountants or of the Society of Incorporated Accountants and Auditors. This lesson can only be learned by the public as a result of constant reiteration by the accountant, and no opportunity should be lost in impressing it on the public mind. Having accomplished this important work of self-advertisement, it is necessary to concentrate on a professional slogan. It is difficult to conceive anything better than "Consult your professional accountant first." This is merely imitating the excellent example set by our legal friends, whose slogan "Always consult a lawyer," repeated

daily over centuries, has placed solicitors on a pedestal so high in the public eye that professional accountants are almost lost in the shadow. But if once the public recognises that the mental equipment and training of the professional accountant fit him for this role of advisor, and the slogan "Consult your professional accountant first and not last" is broadcast, the basic foundation of our profession will be greatly widened. Our object will not be to trespass on legal pastures, nor to consume the legal hay, but merely to demand a proper recognition of our usefulness, and a due regard to the natural order of precedence.

Let us consider where the adoption of this slogan in practice will lead us.

(a) *Testamentary Dispositions.*

A man—who usually has no knowledge of law—instructs a lawyer—who usually has no knowledge of accounts—regarding the disposal of his entire fortune at death. The will is prepared, and usually proves wholly unintelligible to the testator; but no matter—it has been drawn by the family solicitor, and must therefore be in order. The solicitor be it understood, has been at vast pains to understand the wishes of the testator and has done his best, but the client may not have any very clear understanding as to what his intentions may be. Further, a knowledge of the particular business in which the client is engaged may be essential to the proper drafting of the will, and in this the solicitor may well be deficient. The document is signed and witnessed and put away, either in a tin box at the bank, or in the solicitor's strong room, and lies in dusty silence until the inevitable day arrives when death brings it into life. And then the curtain rings up on the tragedy.

In the future, matters will be regulated otherwise. The man unversed in law will consult his professional accountant first. The accountant will make notes of his wishes, and will prepare schedules showing approximately the result of the practical application of the instructions. An examination of the schedules by the testator will probably cause some modification in the instructions, and the accountant will start his labours afresh. It may happen that eight or nine sets of schedules will be prepared before the testator is eventually satisfied, but this only emphasises the importance of the work.

The professional accountant will then seek out the lawyer to whom he will explain the wishes of the testator, and the will will then be drawn on the basis of intentions thoroughly considered and completely understood. All that will then remain to be done will be for the professional accountant to check the document to see that in fact it does carry out the testator's desires.

(b) *Articles of Partnership.*

For sheer lack of any originality, the average partnership deed stands almost in a class by itself.

The same clauses are reproduced again and again, and it does not seem to matter very much whether the proprietors of the business are billbrokers in the discount market or fishmongers in Billingsgate; the same provisions govern their relations *inter se*. In the majority of cases this is immaterial, because most people settle their differences of opinion by spinning a coin, rather than by arbitration. But in many instances the inadequacy of the partnership deed leads to serious disputes which would never have arisen had the draft deed been considered in the first instance by some person familiar with the particular business involved. Obviously, that person is the professional accountant, and it is submitted that no such deed should ever be signed, in the future, without being passed by him as suitable in the peculiar circumstances of the case. The lawyer will still earn his fee, and the professional accountant will merit more, and probably get less.

(c) *The Estate Duty Account.*

Taxation follows mankind from the cradle to the tomb, and, although the professional accountant may be out of place in the nursery, the necessity for his presence at all other times, and particularly when death creates a crisis, is obvious to the meanest intellect.

Under the existing state of affairs, the professional accountant and the officials of the Estate Duty Office are strangers to one another, but the time has surely come when a formal introduction is called for.

The wisdom of entrusting income tax computations to professional accountants has long since been definitely established in the public mind, but the folly of ignoring the capital tax has yet to be learned. There is no equity in a taxation statute, whether it applies to income or to capital, and the heart of the Inland Revenue beats no more warmly at the death of a taxpayer than it does during his lifetime. And yet the Inspector of Taxes is always regarded as a lion, and the official of the Estate Duty Office is assumed to be a lamb. The truth is, the lawyers have established a monopoly of the Estate Duty Office, and are deaf to the still small voice crying for friendly co-operation.

But a glimpse into the future discloses a change. No longer will a solicitor's clerk, to whom a statement of receipts and payments represents the final word in accountancy, argue with the Estate Duty Office regarding the valuation of shares in a private limited company. The work will be shared as it should be shared, the computations will be settled as they should be settled, and the reputation of both parties will rise as a result of this co-operation.

(d) *Trusts.*

The man who creates a trust during his lifetime without submitting the draft of the trust deed to his professional accountant is even more culpable than the man who ignores his professional accountant when creating trusts under his will, for in the latter case he may still live to see the light, but when once a trust deed is executed it requires almost a special intervention of Providence to vary its provisions.

The professional accountant will view the matter from all angles, including the taxation point of view, which is important, and will be able to advise whether an ordinary trust is most suitable in the peculiar circumstances, or whether the generous intentions of the settlor would not be more satisfactorily carried out in some other manner. Friendly co-operation with solicitors in this direction would be beneficial to everyone concerned, and would prove stimulating to the imagination.

AUDITING.

Turning from a consideration of the future expansion of our profession along the lines of friendly co-operation with the legal profession, it is necessary to consider how we can add to the importance of the work which is already entrusted to our care, and thus still further raise the status of our profession. It is submitted that great opportunities are within our grasp, if we will but stretch out a hand to take them. In the first place, we must educate the public to realise that auditing and blue ticking are not synonymous terms. It may be argued that business men are already alive to this fact, but the audit fee does not always provide convincing evidence on the subject. We must see, however, that there is no justification for this confusion of thought, and the best method of doing so is to make suggestions which would add to our importance, as well as to our responsibilities. Who can say that the stereotyped report of the auditor is illuminating, and who can blame the financial papers for publishing in full the speech of the chairman of an important company, and

failing to mention the auditor's report? But if the auditor's report were made a real guide to the shareholders, the chairman's speech might well occupy a secondary position.

Why should not the auditor explain the balance-sheet to the shareholders at the annual general meeting of the company, and answer their questions? He is their agent, and is appointed by them to examine and criticise the accounts, and his speech at the annual general meeting could be made the *piece de resistance* of the feast.

We are apt, at the present time, to shirk responsibility and to play for "Safety First," and thus it happens that from time to time the public receives a financial shock and the usefulness of auditors and audits is temporarily questioned. Take a simple illustration: The accounts of a company having a controlling interest in several subsidiary companies are presented at the annual general meeting and passed without comment. There is nothing sufficiently definite in the auditor's report to arouse the sleepy shareholder, and thus, when an extraordinary general meeting of the company is called three months later to consider a resolution for the reduction of the capital he wakes up with a start in no very good humour. The auditor has, of course, covered himself legally, but whether by his action he has enhanced the reputation of the profession is a matter of very grave doubt. Supposing he had stated boldly in his report that the means of estimating the true value of the shares in the subsidiary companies had not been made available to him, and that in his opinion this constituted an unsatisfactory state of affairs which should be remedied, what would have happened? As matters stand to-day he might have lost the audit, but if it had formed part of his statutory duty to express an opinion on the value of the shares, not only in his report but in his speech at the annual general meeting, the embarrassing position would never have arisen. He would have obtained, as a matter of course, all the data available to the directors, and if these had proved insufficient he would have demanded more. As the parent company has a controlling interest in the subsidiary company, detailed accounts could be demanded, and in any case the auditor's report and a copy of his remarks to the shareholders at the annual general meeting would prove very helpful as a starting point in estimating the value of the shares.

It is true that the Companies Act, 1928, modifies the existing law materially in regard to holding companies as therein defined, and in the future considerably more material will be available to shareholders in the matter of the company's holding in shares of subsidiary companies, but the responsibility of satisfying the requirements of the law is placed mainly upon the directors of the company, and the auditor's position remains more or less undisturbed. This may be sufficient for the moment and will doubtless prove beneficial to the shareholders and the general public, but it adds little to the status or responsibilities of the profession, and, from this point of view, fails lamentably.

Not only will company law be altered in the future, for the public good and the glory of our profession, but the Partnership Act will have to be amended, and a much-needed commandment added. Why should persons be allowed to carry on business in partnership or as sole traders without bending the knee at the altar of accountancy, and why should the Trustee Act remain in its present unsatisfactory state?

Of course, these evils will be remedied, and the profession will not be found unequal to the occasion.

TAXATION RETURNS.

Why should not all taxation returns bear the certificate of a professional accountant?

It is of course true that many individuals and most companies already seek the aid of members of our profession in the preparation of their returns, but is this sufficient? Would it not be better, in the interests of all parties, to stimulate wisdom by means of compulsion?

There has of late been some controversy and considerable correspondence in the Press in regard to the position of assessors of income tax. It is claimed by some that the functions of assessors are being encroached upon by the bureaucratic element at Somerset House, and that the public are in danger of losing the benefit of the advice of men who, for many years, have held the balance between the tax payer and the tax collector. It may well be doubted if, in the present complicated state of the law, the assessor is fully equipped to carry out his duties with real satisfaction to the public. Many have long since forsaken the assessor for the professional accountant, and if the remaining body of tax payers were compelled to follow this example it would surely be to the ultimate interest of everyone concerned.

THE PROFESSIONAL ACCOUNTANT.

The professional accountant of the future will be the most highly educated man in the kingdom. His knowledge of accountancy will be profound, his knowledge of law in certain directions will be considerable, he will write and speak at least one foreign language fluently, and he will be no mean orator in his native tongue, and all this specialised learning will be built upon a very wide and solid foundation of general education. When he starts in practice, however, he will cast much of this learning to the winds and specialise, for no man can keep more than six plates and a basin spinning at the same time. This suggests a very considerable extension of the principle of departmentalisation in the office of the professional accountant. Each partner will be a specialist in his own line, and will know his subject backwards. The idea of the "family solicitor" will be foreign to our profession, and the affairs of each client will be supervised by an expert. Amalgamation will be the tendency of the day, and the smaller offices will gradually be absorbed.

The professional accountant's office will afford considerable opportunities to the qualified accountant who has no intention of practising, since the salaries which will be paid will be on a very much higher scale than is the case at the present time. On the other hand, much more will be demanded of the employee, and there will be no vacancies on the senior staff for persons whose sole qualification is a knowledge of elementary book-keeping.

The professional accountant of the future will urge his clients to consult a "specialist" in cases of difficulty and doubt, and this practice will bring the members of the profession more closely in touch with one another. Consultations thus arranged will be governed by a code of professional etiquette as strict as that which distinguishes the medical profession, and this code of etiquette will be extended in many other directions, to the benefit of the profession.

WOMEN ACCOUNTANTS.

In one direction only is the future of the profession shrouded in a cloud of impenetrable density. We have admitted women to our ranks, but who is there among us who would venture to say whither this will ultimately lead us? That our action in so doing was wise there can be no argument, since in the future no profession will ever be closed against women, and our profession can never reach its zenith until its doors are closed to the unqualified. It is doubtful whether the influence of women in our profession will be felt for many years to come since their numerical strength is slight and the handicap imposed upon them by God and man is great.

This much, however, may be said with confidence—those of them who succeed will add to our strength, for their success will be the just reward of merit. They will find for themselves their proper sphere in the profession, and will probably enlarge the scope of our activities in a direction which might be unavailable to men. In any case, we need never fear that women will damage our prestige. They have proved ornaments in other professions, and they will doubtless become bright jewels in ours. They will work with us, and not against us, and their intuition will guide them, even more surely than our reason, to a proper understanding of what is needed for the future greatness of our profession.

Discussion.

Mr. F. W. BRIGHT: I think it must be evident to all present that Mr. Spicer has the future of the accountancy profession very earnestly at heart. I should like to ask him why he has so skilfully skated round the question of registration? (Laughter.)

Mr. SPICER: I have, as you say, skated round it. Your Society and the Institute, I believe, are working together and have been working together for a long time in an endeavour to effect registration, but it is a very difficult subject, and up to the present those very wise men have been unable to bring it about. Therefore, if it is not coming, it is no use saying—What shall we do if we close the profession? If we close the profession we prevent anybody else carrying on our business, just as solicitors do, and then we need not worry about mushroom bodies arising in the night and gradually competing with us. It is true that in London this competition does not matter a bit. You might fill Basinghall Street, where I have my offices, with other accountants and it would not affect me: I would not feel the competition one iota. Why? Because I happen to be situated in London. But if you put 50 outsiders into accountancy in Cardiff, or in Birmingham, there is not an Incorporated or Chartered Accountant who would not feel the draught—not necessarily to-morrow, or the day after, but in a year or two's time. These people will start to do the small work. We do small work as well as big work, and if you are practising in the Provinces, believe me you depend upon a considerable amount of small work. It is no good saying "I will ignore that and only take the big jobs," because there are not enough to go round. Some of the work can be done as well by an unqualified as by a qualified man, but still it ought not to be done. I may be able to prescribe for a man who has got a touch of influenza, but it does not follow that I ought to be allowed to do so, and if I charge 5s. for advising him what to do if he has influenza I can be run in; but because I am miserable accountant, a butcher or anyone else can do my job, or think he can, and he cannot be challenged for doing it. If we want to talk about registration we want a whole evening to discuss the difficulties surrounding it. What I have tried to do is to think in what way, apart from registration, we can improve the prospects of our profession. We must think of the future, and the only thing to do is to let the Incorporated Society and the Institute put up their standard so much that there is a huge gulf between us and all other accountants, and make the public recognise it. If the public see that we are incomparably better than the other people—then we shall get the business.

Mr. T. ROGERS, Incorporated Accountant: Mr. Spicer mentioned a question which affects many of us, namely, the high salaries that will be earned by qualified men in the future. I would like to ask why the present low-salary state of affairs cannot be remedied forthwith, especially by some of the bigger firms? Instead of waiting for the future, why not begin now? (Laughter.)

Mr. SPICER: If in the future you raise the standard considerably and insist on a much wider general basic foundation, you will bring about better conditions. In the first division of the Civil Service the standard they set is that of a decent honours degree of one of our Universities. At the present time if a similar standard is urged for our profession you are told that you are putting a premium on people with money. But if you lay down rules of this nature you must provide machinery whereby anybody who has the brains can get that degree without any material expense to

himself. This machinery is already in being in the form of scholarships, &c., and could be extended. We do not want to flood the profession with mediocre men; we want the best men in the profession. In the future, if you raise the standard sufficiently high, you will keep out a number, and those who are in the profession will be able to command a bigger price for they will be better men and fewer. At the present time there are many people who call themselves qualified accountants, who are quite good men in their way, and they are willing and able to come in at comparatively low prices and spoil the market for others. If in the future you raise the standard and thus automatically keep out a considerable number, you will enable those who are in the profession to demand a higher remuneration.

Mr. HAYWARD: I understand that one of the tendencies in the future will be towards amalgamation of big firms to the exclusion of small men. I should like to know Mr. Spicer's opinion on a letter which appeared in the *Accountant* not long ago, in which a correspondent made a complaint against the big firms, saying that the professional standard was judged more by the names of big firms than by the personal qualifications of the individual members.

Mr. SPICER: I did not read the letter you refer to, and I can only suggest this: The big firms have got a reputation and they will have to keep it up. It is very easy to lose your goodwill, but I think most of the big firms in the Society and the Institute do endeavour to surround themselves with good men and to maintain a fairly high standard. Of course, what constitutes individual merit is a question of opinion. I do not think one can make invidious distinctions between members of different firms. I only suggested that there would be amalgamations in the future because it is the tendency nowadays to have big concerns which produce at the cheapest rates and eliminate waste, &c., and in the same way, I think, there should be big firms of accountants, with men who make a particular study of certain branches of work. If you go to a solicitor and talk to him about something connected with the discount market, you may find he has never heard of the discount market. What can be the value of that man's opinion? It is worth less than nothing because he may mislead you. I think there should be specialists, even in a solicitor's office, so that when you go to consult a firm and are asked on which subject you wish for advice, if you say company law you will go to the company expert; if you say bankruptcy, you will go to the bankruptcy expert. I suggest that the same will have to happen in our profession, because the profession is growing wider every day, and it is beyond the power of any one man to have all the knowledge that is required.

Captain H. E. DAVIS, Incorporated Accountant: A certain eminent member of the profession lately retired, and is now acting as consultant. The work of the accountant is like that of a doctor—purely personal. He cannot wait for the specialist to find out something about which he ought to be consulted in connection with an audit. The specialist is all right in his place, but he must lose touch with the general audit. The specialist, surely, should be like a barrister or Harley Street specialist, consulted by the general professional man. The Lecturer has referred to Government officials. As many of you know, I have had some experience of Government accounting, and I think it is quite useless to attempt to get anything out of the Government in the way of proper accounts, although they lay down the statutory forms of accounts and that sort of thing. Therefore I suggest that the education the Lecturer referred to should start a little higher up the scale—with the people who have already got University degrees. (Laughter.) My experience of people with University degrees is that they find it hard to pass the examinations. Regarding "specialists," there is a very well known income tax specialist who advertises in the newspapers, who gave some advice a little while ago to somebody on the question of executorship. I only hope the advice was not followed, because it was entirely wrong from beginning to end. Regarding our education generally, we do not want to educate men for the profession only. I am glad to see that many people are studying and passing the examinations with no intention of practising, their object being to utilise the education they acquire for their own businesses. The last point I want to make is this: would not the Lecturer's suggestion about a proper auditor's certificate

applied to some balance-sheets have the effect of stopping some of the gambling that is going on on the Stock Exchange? We cannot, of course, stop America from gambling on a 2 per cent. return in the hope that a company's accounts are better than they are stated to be, but it seems to me that an auditor's certificate, which would tell a good deal more of the truth to everybody concerned, might steady prices in the interests of the public.

Mr. SPICER: As regards the specialist not practising, I am afraid I disagree with that suggestion, because I do not believe that in our particular business the man who does not practise can possibly accumulate sufficient experience to make his opinion of any practical value. You are not much good in advising other people unless you have done the work and continue to do it yourself. The gentleman who has just spoken mentioned taxation. In our office we have a taxation department; the members of that department do nothing else—they do it all day long and every day, and they have been at it for years. Some of them were in the Inland Revenue before they came to us, so that they know their work pretty well. But if those men were to give it up for six months they would be out of date. Work of that nature must be continuous. The gentleman referred to the Inland Revenue and made the remark that they know nothing about accounts. Well, I daresay there are many civil servants who know nothing about accounts, but I do suggest that the average Inspector of Taxes in London knows a great deal about them. Most of the men who are in London have been in the provinces; you will rarely find a London Inspector of Taxes who has not been in one of the provincial towns. Although I come across comparatively few provincial Inspectors, those that I have come across are fairly able men. My partner and I are just now dealing with one, and he happens to be a Chartered Accountant; he certainly does know his job. As regards the unqualified income tax specialist I think this class of business ought not to be allowed, at any rate in the way it is now run. I suggest that it is impossible to advise a firm on the proper computations for income tax without going into the figures, and without going into the books, and I say that auditing and taxation have to run side by side, although they should always be rewarded with a separate fee. As far as the auditor's certificate is concerned, the trouble about speculation is that somebody floats a company and all the speculation takes place before any goods have been sold at all, as far as I can see, and therefore the auditor has not had a chance. The company goes smash before the audit.

Mr. SMITH: I was a little alarmed at the prophecy of the Lecturer regarding the tendency of the profession to departmentalise, and the apparent introduction of counsel and junior counsel to the profession. Do you not feel that this would tend to restrict the adaptability of the accountant and turn us into a number of bureaucrats and so hinder our auditing?

Mr. SPICER: I started by suggesting that the accountant of the future would be a highly educated man. I said he would have a basic foundation equal to a good honours degree of a University. That pre-supposes a certain amount of mental ability. He has got a wide general knowledge. Then he has got a wide specific knowledge, and it is only after he has qualified and after he has been with his firm for a long time and had a good deal of experience that he would specialise. It is the same with a doctor. A doctor has first to have a general education, because nobody without a general education has anything upon which to build. The broader the general education is, the better. Then you have your specialised education—at least your general specific education—and then you start to specialise.

Mr. W. D. MENZIES, Incorporated Accountant: I think Mr. Spicer rather suggested that the standards and responsibilities of auditors would be increased by extending the requirements of the Companies Acts as to the certificate. May I suggest that any such modification would be merely a crystallisation of practice, and that to commence with legislation is starting at the wrong end? After all, it seems to me that, in playing for safety, all the other accountants are waiting for the other fellow to start and give a certificate which does convey something to the general public. It seems to me that the way to commence is with private company audits, where the public element is not so strong. Let us educate the people to expect a slightly different certificate, and then

when shareholders look at the certificate in the ordinary form they will shrug their shoulders and pass on, and in due time legislation will follow.

Mr. W. ADDISON, Incorporated Accountant: Referring to Mr. Spicer's remarks regarding specialisation, one would almost assume that Mr. Spicer's specialist is a managing director. I suggest that his theory might turn out the other way. None of these big firms would maintain their position very long unless there were master minds at the head of them; otherwise you would have your separate departments going off at a tangent altogether. Specialisation is very good up to a point, but you must have someone who has a fair knowledge of each branch of the accountancy profession to direct matters; therefore I say that a good all-round man would in the end prove better than the specialist.

Mr. M. BENJAMIN, Incorporated Accountant: I was greatly interested in the remarks of the Lecturer with regard to the status of the accountant, and the development of his status in the future. Mr. Spicer, in reference to this matter, concentrated almost entirely on the practising accountant. I would suggest that, as he is now speaking to a students' body, it would be a matter of much greater interest if he also indicated the future prospects of the non-practising accountant—the majority of those present, I imagine, being such. Although there is no doubt that the general status of the profession has increased enormously during the last few years in the eyes of the public, can it be said that the status of the non-practising accountant has increased proportionately in the eyes of the practising accountant? I know it can be argued that, as the status of the practising accountant increases in the eyes of the public, the status of the non-practising accountant will increase also. I would suggest that, although their activities are much wider than they have ever been, nevertheless the status of the non-practising accountant is much lower than it has ever been. I refer to the salaries which are offered to newly qualified men. I think the present condition of things is absolutely disgraceful for a profession of this kind. It is common knowledge that this is a time of great difficulty for the average newly qualified accountant to get a position worthy of his training and experience. It seems to me that this is caused by the over crowding of the profession, and I think the Council have a very strong responsibility in thinking out how this can be remedied. Although it adds to the strength of the whole, is this wholesale entering into the profession going to add to our status? The Lecturer pointed out that in the future the salary of the specialist employed would be greater, and then he said that it is the best men in the profession who command the big salaries. Does this mean that about 1 per cent. of those in the profession—the geniuses—can command large salaries and that the average man cannot expect to? This is a matter of great personal interest to those present.

Mr. SPICER: I want to suggest to you that no profession is over-crowded for a good man, but every profession is over-crowded for a fool. So a good man will always come to the top somehow or other. He may not find his opportunity quickly, but sooner or later he will do so. There are many men to-day of really only average intelligence and they command a very average salary. If you get a man who shows considerable intelligence and imagination, he is worth a very considerable salary. I am sure that most of the leading accountants would be prepared to pay him a considerable sum, but it is very difficult to find such men. There are so many in the profession whose chief qualification is a knowledge of double-entry book-keeping. That will not be so necessary in the course of a little while, because probably all book-keeping will be done by machinery. I do not know how to speak on the prospects of the non-practising accountant. What is he going to do? Is he going to remain in the profession, or is he going out? There is the non-practising barrister—what is the value of his legal knowledge? It all depends to what extent he is going to apply that knowledge. I suggest to you that if you have got knowledge and brains, and can only show them and apply them, you will find your position somewhere.

Mr. D. E. GIBBS: I should like to ask the Lecturer if he would make some comment on the practice which is being adopted of dealing with industry in this country from a more or less political point of view. It seems to me that the whole future of the profession is dependent on the industrial

This much, however, may be said with confidence—those of them who succeed will add to our strength, for their success will be the just reward of merit. They will find for themselves their proper sphere in the profession, and will probably enlarge the scope of our activities in a direction which might be unavailable to men. In any case, we need never fear that women will damage our prestige. They have proved ornaments in other professions, and they will doubtless become bright jewels in ours. They will work with us, and not against us, and their intuition will guide them, even more surely than our reason, to a proper understanding of what is needed for the future greatness of our profession.

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Mr. T. ROGERS, Incorporated Accountant: Mr. Spicer mentioned a question which affects many of us, namely, the high salaries that will be earned by qualified men in the future. I would like to ask why the present low-salary state of affairs cannot be remedied forthwith, especially by some of the bigger firms? Instead of waiting for the future, why not begin now? (Laughter.)

Mr. SPICER: If in the future you raise the standard considerably and insist on a much wider general basic foundation, you will bring about better conditions. In the first division of the Civil Service the standard they set is that of a decent honours degree of one of our Universities. At the present time if a similar standard is urged for our profession you are told that you are putting a premium on people with money. But if you lay down rules of this nature you must provide machinery whereby anybody who has the brains can get that degree without any material expense to

himself. This machinery is already in being in the form of scholarships, &c., and could be extended. We do not want to flood the profession with mediocre men; we want the best men in the profession. In the future, if you raise the standard sufficiently high, you will keep out a number, and those who are in the profession will be able to command a bigger price for they will be better men and fewer. At the present time there are many people who call themselves qualified accountants, who are quite good men in their way, and they are willing and able to come in at comparatively low prices and spoil the market for others. If in the future you raise the standard and thus automatically keep out a considerable number, you will enable those who are in the profession to demand a higher remuneration.

Mr. HAYWARD: I understand that one of the tendencies in the future will be towards amalgamation of big firms to the exclusion of small men. I should like to know Mr. Spicer's opinion on a letter which appeared in the *Accountant* not long ago, in which a correspondent made a complaint against the big firms, saying that the professional standard was judged more by the names of big firms than by the personal qualifications of the individual members.

Mr. SPICER: I did not read the letter you refer to, and I can only suggest this: The big firms have got a reputation and they will have to keep it up. It is very easy to lose your goodwill, but I think most of the big firms in the Society and the Institute do endeavour to surround themselves with good men and to maintain a fairly high standard. Of course, what constitutes individual merit is a question of opinion. I do not think one can make invidious distinctions between members of different firms. I only suggested that there would be amalgamations in the future because it is the tendency nowadays to have big concerns which produce at the cheapest rates and eliminate waste, &c., and in the same way, I think, there should be big firms of accountants, with men who make a particular study of certain branches of work. If you go to a solicitor and talk to him about something connected with the discount market, you may find he has never heard of the discount market. What can be the value of that man's opinion? It is worth less than nothing because he may mislead you. I think there should be specialists, even in a solicitor's office, so that when you go to consult a firm and are asked on which subject you wish for advice, if you say company law you will go to the company expert; if you say bankruptcy, you will go to the bankruptcy expert. I suggest that the same will have to happen in our profession, because the profession is growing wider every day, and it is beyond the power of any one man to have all the knowledge that is required.

Captain H. E. DAVIS, Incorporated Accountant: A certain eminent member of the profession lately retired, and is now acting as consultant. The work of the accountant is like that of a doctor—purely personal. He cannot wait for the specialist to find out something about which he ought to be consulted in connection with an audit. The specialist is all right in his place, but he must lose touch with the general audit. The specialist, surely, should be like a barrister or Harley Street specialist, consulted by the general professional man. The Lecturer has referred to Government officials. As many of you know, I have had some experience of Government accounting, and I think it is quite useless to attempt to get anything out of the Government in the way of proper accounts, although they lay down the statutory forms of accounts and that sort of thing. Therefore I suggest that the education the Lecturer referred to should start a little higher up the scale—with the people who have already got University degrees. (Laughter.) My experience of people with University degrees is that they find it hard to pass the examinations. Regarding "specialists," there is a very well known income tax specialist who advertises in the newspapers, who gave some advice a little while ago to somebody on the question of executorship. I only hope the advice was not followed, because it was entirely wrong from beginning to end. Regarding our education generally, we do not want to educate men for the profession only. I am glad to see that many people are studying and passing the examinations with no intention of practising, their object being to utilise the education they acquire for their own businesses. The last point I want to make is this: would not the Lecturer's suggestion about a proper auditor's certificate

applied to some balance-sheets have the effect of stopping some of the gambling that is going on on the Stock Exchange? We cannot, of course, stop America from gambling on a 2 per cent. return in the hope that a company's accounts are better than they are stated to be, but it seems to me that an auditor's certificate, which would tell a good deal more of the truth to everybody concerned, might steady prices in the interests of the public.

Mr. SPICER: As regards the specialist not practising, I am afraid I disagree with that suggestion, because I do not believe that in our particular business the man who does not practise can possibly accumulate sufficient experience to make his opinion of any practical value. You are not much good in advising other people unless you have done the work and continue to do it yourself. The gentleman who has just spoken mentioned taxation. In our office we have a taxation department; the members of that department do nothing else—they do it all day long and every day, and they have been at it for years. Some of them were in the Inland Revenue before they came to us, so that they know their work pretty well. But if those men were to give it up for six months they would be out of date. Work of that nature must be continuous. The gentleman referred to the Inland Revenue and made the remark that they know nothing about accounts. Well, I daresay there are many civil servants who know nothing about accounts, but I do suggest that the average Inspector of Taxes in London knows a great deal about them. Most of the men who are in London have been in the provinces; you will rarely find a London Inspector of Taxes who has not been in one of the provincial towns. Although I come across comparatively few provincial Inspectors, those that I have come across are fairly able men. My partner and I are just now dealing with one, and he happens to be a Chartered Accountant; he certainly does know his job. As regards the unqualified income tax specialist I think this class of business ought not to be allowed, at any rate in the way it is now run. I suggest that it is impossible to advise a firm on the proper computations for income tax without going into the figures, and without going into the books, and I say that auditing and taxation have to run side by side, although they should always be rewarded with a separate fee. As far as the auditor's certificate is concerned, the trouble about speculation is that somebody floats a company and all the speculation takes place before any goods have been sold at all, as far as I can see, and therefore the auditor has not had a chance. The company goes smash before the audit.

Mr. SMITH: I was a little alarmed at the prophecy of the Lecturer regarding the tendency of the profession to departmentalise, and the apparent introduction of counsel and junior counsel to the profession. Do you not feel that this would tend to restrict the adaptability of the accountant and turn us into a number of bureaucrats and so hinder our auditing?

Mr. SPICER: I started by suggesting that the accountant of the future would be a highly educated man. I said he would have a basic foundation equal to a good honours degree of a University. That pre-supposes a certain amount of mental ability. He has got a wide general knowledge. Then he has got a wide specific knowledge, and it is only after he has qualified and after he has been with his firm for a long time and had a good deal of experience that he would specialise. It is the same with a doctor. A doctor has first to have a general education, because nobody without a general education has anything upon which to build. The broader the general education is, the better. Then you have your specialised education—at least your general specific education—and then you start to specialise.

Mr. W. D. MENZIES, Incorporated Accountant: I think Mr. Spicer rather suggested that the standards and responsibilities of auditors would be increased by extending the requirements of the Companies Acts as to the certificate. May I suggest that any such modification would be merely a crystallisation of practice, and that to commence with legislation is starting at the wrong end? After all, it seems to me that, in playing for safety, all the other accountants are waiting for the other fellow to start and give a certificate which does convey something to the general public. It seems to me that the way to commence is with private company audits, where the public element is not so strong. Let us educate the people to expect a slightly different certificate, and then

when shareholders look at the certificate in the ordinary form they will shrug their shoulders and pass on, and in due time legislation will follow.

Mr. W. ADDISON, Incorporated Accountant: Referring to Mr. Spicer's remarks regarding specialisation, one would almost assume that Mr. Spicer's specialist is a managing director. I suggest that his theory might turn out the other way. None of these big firms would maintain their position very long unless there were master minds at the head of them; otherwise you would have your separate departments going off at a tangent altogether. Specialisation is very good up to a point, but you must have someone who has a fair knowledge of each branch of the accountancy profession to direct matters; therefore I say that a good all-round man would in the end prove better than the specialist.

Mr. M. BENJAMIN, Incorporated Accountant: I was greatly interested in the remarks of the Lecturer with regard to the status of the accountant, and the development of his status in the future. Mr. Spicer, in reference to this matter, concentrated almost entirely on the practising accountant. I would suggest that, as he is now speaking to a students' body, it would be a matter of much greater interest if he also indicated the future prospects of the non-practising accountant—the majority of those present, I imagine, being such. Although there is no doubt that the general status of the profession has increased enormously during the last few years in the eyes of the public, can it be said that the status of the non-practising accountant has increased proportionately in the eyes of the practising accountant? I know it can be argued that, as the status of the practising accountant increases in the eyes of the public, the status of the non-practising accountant will increase also. I would suggest that, although their activities are much wider than they have ever been, nevertheless the status of the non-practising accountant is much lower than it has ever been. I refer to the salaries which are offered to newly qualified men. I think the present condition of things is absolutely disgraceful for a profession of this kind. It is common knowledge that this is a time of great difficulty for the average newly qualified accountant to get a position worthy of his training and experience. It seems to me that this is caused by the over crowding of the profession, and I think the Council have a very strong responsibility in thinking out how this can be remedied. Although it adds to the strength of the whole, is this wholesale entering into the profession going to add to our status? The Lecturer pointed out that in the future the salary of the specialist employed would be greater, and then he said that it is the best men in the profession who command the big salaries. Does this mean that about 1 per cent. of those in the profession—the geniuses—can command large salaries and that the average man cannot expect to? This is a matter of great personal interest to those present.

Mr. SPICER: I want to suggest to you that no profession is over-crowded for a good man, but every profession is over-crowded for a fool. So a good man will always come to the top somehow or other. He may not find his opportunity quickly, but sooner or later he will do so. There are many men to-day of really only average intelligence and they command a very average salary. If you get a man who shows considerable intelligence and imagination, he is worth a very considerable salary. I am sure that most of the leading accountants would be prepared to pay him a considerable sum, but it is very difficult to find such men. There are so many in the profession whose chief qualification is a knowledge of double-entry book-keeping. That will not be so necessary in the course of a little while, because probably all book-keeping will be done by machinery. I do not know how to speak on the prospects of the non-practising accountant. What is he going to do? Is he going to remain in the profession, or is he going out? There is the non-practising barrister—what is the value of his legal knowledge? It all depends to what extent he is going to apply that knowledge. I suggest to you that if you have got knowledge and brains, and can only show them and apply them, you will find your position somewhere.

Mr. D. E. GIBBS: I should like to ask the Lecturer if he would make some comment on the practice which is being adopted of dealing with industry in this country from a more or less political point of view. It seems to me that the whole future of the profession is dependent on the industrial

prosperity of the country, and it would be a great mistake in the discussions which take place in relation to the future of industry to omit the accountant. There seems to be a tendency to drop the accountancy element when considering the prospects of any basic industry.

Mr. SPICER: I do not quite understand what you mean, but I think you are complaining that the accountant is not brought into the discussions. I am with you in suggesting that he should always be brought in, whether he is useful or not. (Laughter.) I do not know what would be the benefit of my advice, say, in the matter of the chemical industry. Lord Melohett's opinion would be worth a very great deal as compared with mine. The people engaged in an industry must know a great deal more about it than we as accountants could hope to. It seems to me that where we would come in would be in putting before them a scheme for amalgamation, saving of expenditure and that sort of thing. But I think we have to be instructed specifically on those points.

Mr. COLE: There is one point that occurs to me. Mr. Spicer said that a good man always comes to the top, whether he is qualified or unqualified. I entirely agree with that. I know one of the biggest firms of accountants in London and all their senior men are unqualified. That, of course, raises rather a peculiar point in connection with the raising of the standard of the accountancy profession—where you get men who did not sit for examinations and yet who get highly paid jobs in the profession. With regard to what Mr. Spicer said about income tax returns being certified by accountants, I think the day is coming when that will be so, especially as the machinery of income tax nowadays seems to be somewhat crude. The inspectors send a man an estimated assessment, say, in the first place for £300, and in another year they may send him one for £1,000, and then accounts have to be prepared. In the future nearly every small trader will have to have his accounts prepared by professional accountants.

The CHAIRMAN: I have been intensely interested both in the Lecture and in the discussion, and I must confess to feeling a great amount of sympathy with the gentleman who spoke about over crowding the profession. Now, you can acquit me of any sort of feeling that my particular interests are in any way menaced. I have two sons who are junior partners in my firm, and I necessarily feel that I want to do whatever I possibly can to help the profession for the next generation. The real problem which affects the governing bodies both of the Institute and of ourselves, and which is always before us, is this: that if we put the standard too high we shall be driving a large number of entrants into the other bodies. We have got the sort of feeling that although there may be a danger of over crowding, yet the fact remains that it is infinitely better that they should come through the orthodox doors rather than go elsewhere. I assure you, after having had many years professional experience and three years hard labour as President, that the Council are always giving attention to these particular matters. The problems you have been discussing to-night are always before them, and sooner or later I imagine we shall come back again to that very stormy question which the first gentleman who spoke this evening raised. When we do, it will not have to be from the point of view of the interests of any of those practitioners in business to-day—not the senior practitioners—but it will have to be from the point of view of the junior practitioners, and it will only be done at a very big sacrifice. There is no question about that. But the real interest of Mr. Spicer's lecture is that he is not in the least afraid to look ahead. The man who is worth anything, whether he be a statesman in general life or in his particular profession—the man who can see one step farther than another is the valuable man to his profession or to his country. That is why I am glad we have not confined ourselves to the immediate steps, but have tried to take a very long view of the responsibilities of our profession. One thing I do say whole-heartedly. I do agree with Mr. Spicer, and I commend it to every accountant here, that it is not the slightest use imagining that the people of this country are going to take us seriously as a profession unless we are prepared cheerfully to shoulder the risks. The policy of "safety first" is not of any use; indeed, it is a policy of danger. I rejoice that the Companies Act of 1928 will increase our responsibility, and I hope the time is not far distant when the auditor's certificate and report to the shareholders will be

an illuminating document which he who runs may read. Whether the general standard of education will rise at the same rate that we expect it to rise in this profession, so that further precautions will be unnecessary, I do not know, but in any event we have to be prepared to discharge our responsibilities to the public fearlessly, and we have not to play for safety first. There is a good deal that could be said—the subject touched upon to-night is very fascinating—but I will not take up your time any longer.

On the motion of Mr. W. HOLMAN, F.S.A.A., seconded by Mr. A. A. GARRETT, B.A., a vote of thanks to the Lecturer was unanimously carried, and a similar compliment was paid to the Chairman for presiding.

TRADE UNIONS.

The following are extracts from the Report of the Chief Registrar of Friendly Societies in relation to Trade Unions for the year 1927:—

DEFALCATIONS.

The following cases of defalcation again emphasise the necessity for (1) proper supervision of officers entrusted with the control of money, and (2) the employment of competent persons as auditors:—

(1) *National Amalgamated Stevedores and Dockers*.—This union for several years employed a professional accountant as auditor, but from 1919 onwards was content with lay auditors. For some reason the professional accountant was called in to audit the accounts for 1926 after they had already been audited by lay auditors and printed. Owing to the large amount of cash shown as in the hands of the treasurer at the end of the year and the discovery that erasures and additions had been made in the bank pass book, the accountant made prompt inquiries at the bank. As a result it was discovered that there was a cash shortage of £774 8s. 3½d., for which the treasurer was held responsible.

The union took proceedings against the officer, and he was convicted and sentenced to three months' imprisonment in the second division. He was guaranteed for £200, but the guarantee society refused payment on the ground that conditions regulating the terms of the policy had not been carried out.

(2) *National Amalgamated Association of Nut and Bolt Makers*.—In this case defalcations amounting to £461 7s. 1d. were written off as irrecoverable. The defalcations were discovered owing to the failure of a branch secretary (who was also president of the union) to pay over the quarterly contributions from the branch to the head office. A summons was issued to enable the branch to recover possession of its books, and an order of the Court obtained for an examination of the bank account.

The defendant failed to appear in answer to the summons, and was fined £5 and costs, or 21 days' imprisonment. While he was in prison it was discovered that all the money had been withdrawn from the bank and that an investment of £200 in War Loan was missing. Further proceedings were taken for embezzlement and misappropriation, and resulted in a sentence of 21 months' imprisonment with hard labour.

(3) *United Road Transport Workers' Association of England*.—The annual return of this union showed defalcations amounting to £479 17s. 7d. written off as irrecoverable. On inquiry it was ascertained that £375 1s. 3d. of this amount was due from the chief clerk of the union. When the deficiency was discovered, the union took no action, as it was anticipated that the money would be repaid. Subsequently the defaulter filed his petition

in bankruptcy, and as his assets were only £5 the union made no claim. The defaulter was guaranteed under a fidelity policy, but the union was probably precluded from making any claim under the policy because the deficiency had been treated merely as money owing to the union by the officer. In any event no claim was made. The remaining £104 16s. 4d. was due from a branch secretary, against whom proceedings were taken, with the result that he was sentenced to three months' imprisonment.

(4) *National Amalgamated Society of Operative House and Ship Painters and Decorators.*—The annual return of this union showed defalcations amounting to £910 18s. 1d., and £142 12s. 7d. as deficiencies returned. Apparently it has been the practice of the union to write off the whole of any deficiency on its discovery and to bring back any amount recovered. Part of the amount recovered therefore represented defalcations in previous years. The deficiencies related to a number of officials in various branches, and in some cases orders of the Court had been obtained for repayment and in others agreements entered into without resort to the Court. The union has recently adopted a system under which all moneys collected are required to be paid into a central banking account, and any moneys required for benefits and branch expenses are met by cheques issued from the union's head office. In addition, the whole of the receipts and vouchers from branches are checked at the head office every quarter, and branch presidents are required to certify fortnightly that branch funds have been deposited. It is claimed that it is this new system which has been responsible for the discovery of many of the deficiencies referred to above, and that similar deficiencies are now unlikely to recur.

ANNUAL RETURNS.

As a result of the examination of the annual returns it was found necessary to send back a number for correction, chiefly on account of differences in the particulars brought forward from the previous year or inaccurate or incomplete accounts. Annual returns were not, however, generally returned for correction if the information required could be obtained by other means, and it was found possible to deal with many cases by inquiries only or by scrutiny of printed accounts.

In some instances assistance was given with the view of facilitating the correction of the returns and the preparation of future returns. In one such case, the union had conducted an investigation into the accounts first prepared, and important errors had been discovered. Difficulty was experienced, however, in correcting the return until the matter was put before the Registrar, when it was found that contributions collected by branches at the end of the previous year and included in the return for that year had also been brought into the return for 1926. The adjustment of this item put matters right, but as an error of the same sort and other errors were found in the return for 1927, the union was advised to obtain the assistance of an accountant.

A member of a union sent the Registrar a copy of the accounts supplied to members and drew his attention to inconsistencies which indicated that cash remitted by branches to the central office of the union had not been accounted for. The accounts were examined in conjunction with the union's annual return for 1926, when it was found that there were other inconsistencies which, although possibly capable of explanation, indicated *prima facie* a shortage of cash of about £80. The union was given an opportunity of submitting explanations, but as none were offered the return was rejected and the union advised to place its accounts in the hands of a public auditor. The advice was not followed, and a revised return was submitted without any explanation of the more important inconsistencies to which attention had been drawn.

This return also was rejected. The annual return for 1927 had in the meantime fallen due and summonses were issued against the union and its responsible officers for failure to submit annual returns for 1926 and 1927. Fines and costs amounting to £21 10s. were imposed for failure to submit the return for 1927 and the summonses in respect of the return for 1926 were adjourned for three months. At the adjourned hearing it appeared that a public auditor had been approached soon after the first hearing, but that owing to delay in confirmation of his appointment and the work involved he had not been able to complete his investigations. The summonses were adjourned for a further three months. At the second adjourned hearing it appeared that the public auditor had experienced the greatest difficulty in arriving at the true position, but had found that both the accounts supplied to members and the accounts in the annual returns were quite inaccurate. It was accordingly necessary for him to extend his investigation to the accounts of the union's branches. Fines and costs amounting to £21 14s. were imposed.

Obituary.

ARTHUR HEWITT.

We have received an intimation of the death at sea, while on his way to a health resort, of Mr. Arthur Hewitt, F.S.A.A., of the firm of Messrs. Dougall, Lance & Hewitt, Pretoria, and Messrs. Price, Waterhouse, Peat & Co., Johannesburg. Mr. Hewitt was admitted an Associate of the Society on May 15th, 1919, and a Fellow on January 21st, 1927. He was President of the Transvaal Society of Accountants in 1927, and his death is much regretted by the profession in South Africa.

RICHARD HENRY MARCH.

The announcement is made of the somewhat sudden death of Mr. R. H. March, the senior partner in the firm of Messrs. R. H. March, Son & Co., of Cardiff, and President of the Institute of Chartered Accountants in England and Wales during the year 1927-28. Mr. March was admitted an Associate of the Institute in 1896 and a Fellow in 1894. He was well known throughout South Wales, and was popular with Incorporated as well as with Chartered Accountants. At the funeral service, held on April 23rd, Mr. R. Wilson Bartlett, J.P., Newport, a member of the Council, represented Mr. Thomas Keens, President of the Society of Incorporated Accountants and Auditors. Mr. Percy H. Walker, Vice-President, and Mr. T. N. T. David, Hon. Secretary, also represented the South Wales and Monmouthshire District Society of Incorporated Accountants.

EVAN CUTHBERT PIKE.

We regret to record the death of Mr. Evan Cuthbert Pike, at the early age of 40 years. Mr. Pike was elected an Associate of the Society in July, 1912, and was a partner in the firm of Messrs. Pike, Rogers & Co., Incorporated Accountants, London and Clacton-on-Sea. During the war Mr. E. C. Pike held a Commission as a Paymaster-Lieutenant in the Royal Naval Reserve, and for his services was appointed a member of the Order of the British Empire. In recent years he resided and practised at Clacton-on-Sea, where he took a practical interest in local affairs.

Incorporated Accountants' Golfing Society.

The spring meeting of the Incorporated Accountants' Golfing Society was held at Northwood Golf Club on April 11th. The first prize, presented by Mr. A. T. Keens, F.S.A.A., was won by Mr. F. W. E. Morgan, F.S.A.A., with a score of 89-10=79. The second prize, presented by the Society, was won by Mr. F. Martin Jenkins, F.S.A.A., with a score of 96-12=84. Bogie was 75. The meeting was well attended, and took place in fine, if somewhat windy, weather.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council of the Society was held at Incorporated Accountants' Hall on Wednesday, April 10th, 1929. There were present:—Mr. Thomas Keens (President) in the chair, Mr. R. Wilson Bartlett, J.P. (Newport, Mon.), Mr. W. Bateson (Blackpool), Mr. H. J. Burgess (London), Mr. D. E. Campbell (Wolverhampton), Mr. W. Claridge, M.A., J.P. (Bradford), Mr. Arthur Collins (London), Mr. W. Allison Davies, O.B.E. (Preston), Mr. E. Cassleton Elliott (London), Mr. Walter Holman (London), Mr. Ernest T. Kerr (Birmingham), Sir James Martin, J.P. (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. W. Paynter (London), Mr. A. E. Piggott (Manchester), Mr. G. S. Pitt (London), Mr. J. Stewart Seggie (Edinburgh), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. F. Walmsley, J.P. (Manchester), Mr. R. T. Warwick (London), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. A. A. Garrett (Secretary) and Mr. J. R. W. Alexander (Parliamentary Secretary).

Apologies for non-attendance were received from Mr. A. H. Walkey (Dublin), Mr. W. McIntosh Whyte (London), and Mr. A. E. Woodington (London).

INCORPORATED ACCOUNTANTS' HALL.

A formal report was submitted that Incorporated Accountants' Hall was opened by H.R.H. the Duke of York on February 19th, 1929.

The following letter from the Private Secretary to His Royal Highness to the Parliamentary Secretary of the Society was read to the Council:—

145, Piccadilly, W.1,
February 20th, 1929.

Dear Mr. Alexander,

I am desired by the Duke of York to thank you for sending on the pens and etchings, with which the Duchess is particularly pleased. She desires me to express her sincere gratitude to the donor for this charming gift.

His Royal Highness wishes me to offer his sincere congratulations to yourself and all those concerned on the arrangements made in connection with the Opening of the Hall. They left nothing to be desired, and I am again to assure you that it gave him real pleasure to perform the Ceremony.

Yours very truly,

(Signed) P. K. HODGSON,
Private Secretary.

RESIGNATION OF VICE-PRESIDENT.

A letter was read from Mr. Henry Morgan stating that, following medical advice, it had become necessary for him to take a considerable rest, and he regretted therefore to tender his resignation as Vice-President of the Society. The Council accepted the resignation of Mr. Morgan with much regret and expressed their cordial appreciation of the services rendered by him to the Society. It was intimated that Mr. Morgan desired to retain his seat on the Council.

REGISTRATION FOR THE PROFESSION.

The Council unanimously re-affirmed their belief that the registration of the profession of accountancy was desirable in the interests of the public and the profession, and considered that a Registration Bill should be promoted in Parliament. The matter was referred to the Parliamentary Committee of the Society for consideration forthwith.

MISUSE OF DESIGNATION "INCORPORATED ACCOUNTANT."

It was reported that an Injunction had been granted to the Society by Mr. Justice Clauson in the High Court of Justice, Chancery Division, on March 1st, 1929, against Mr. W. A. Bale, whose name was removed from the Roll of Members in 1912, perpetually restraining him from using the designation "Incorporated Accountant."

GOLD AND SILVER MEDALS—EXAMINATIONS, 1928.

It was resolved that awards be made as follows:—

Gold Medal to William Reginald Chorley, Clerk to Mr. J. T. Sandland, Incorporated Accountant, Stoke-on-Trent.

Silver Medal to Christopher Thomas Bayley, formerly Clerk to Messrs. Thorne, Lancaster, Farey and Reacher, Chartered Accountants, London.

LOCAL GOVERNMENT (SCOTLAND) ACT.

A report was received as to the Audit Clauses in this Act.

RETIRED MEMBERS OF THE SOCIETY.

It was resolved to recommend the members, at an extraordinary general meeting (the date of which would be subsequently fixed) to make an addition to the Society's Articles in respect of the subscriptions of senior members who had retired permanently from professional work.

OBSOLESCENCE AND INCOME TAX.

The following are extracts from a Memorandum issued by the Federation of British Industries:—

Speaking generally, too narrow an interpretation has been placed on what constitutes obsolescence; in addition to which it has always been insisted that the replacement of a machine is a necessary qualification for an obsolescence allowance to rank for claim. The Royal Commission on the Income Tax recommended that this requirement should be abandoned, but up to the present time it has not been possible to secure the necessary legislation to enable the change to be made. It is hoped, however, to re-open negotiations on this subject at the earliest convenient moment, but in the meanwhile, as the result of a recent interview, it may be stated that the Board of Inland Revenue Department is fully cognisant of the necessity imposed upon manufacturers of scrapping machinery from time to time owing to the rapid improvement in processes of manufacture, and will definitely take a liberal view in interpreting the provisions of Rule 7 in the Rules applicable to Cases I and II of Schedule D.

The Board is prepared to give favourable consideration to claims which rest mainly upon improved methods, the result of which is to throw out machinery which may still be of use to other manufacturers for other purposes, that is to say, machinery which may not of itself be actually useless but which fails to keep the needs of the particular business up to date.

Local Rates and Who Bears them.

A LECTURE delivered at Sheffield to the District Societies of Chartered and Incorporated Accountants and Chartered Secretaries by

MR. ARTHUR COLLINS, F.S.A.A.

MR. PERCY TOOTHILL, F.S.A.A. (President of the Sheffield and District Society of Incorporated Accountants), who presided, expressed particular pleasure in introducing Mr. Collins to the meeting. Mr. Collins was well known to many of them in Sheffield, for it was not so very long ago that he was engaged by the Corporation of the city to go into various matters in connection with the finances of the city.

Mr. COLLINS said that after the very kind reception he had been given he felt that he had rather a high standard to work up to in endeavouring to interest them in so dull a subject. Rates, at the best of times, were not very pleasant subjects for discussion—in Parliamentary language, at any rate—and he supposed more than one of them, on seeing the subject of the address, would be disposed at once to say: "Local rates and who bears them? Who does not?" And who was not unpleasantly aware of the fact that he bore them? But the subject, although unpromising, was a subject which did not receive that attention which he thought its importance deserved. On occasions they may have seen, either in election addresses or in correspondence with the local Press, questions which have been directed to ascertain "upon whom does the burden of high rates fall?" It was to that particular problem that he thought he might usefully attract attention for a short time that night.

Firstly, he said, he would ask them to consider with him the facts in Sheffield, which served as a very useful example of an industrial city, and see firstly who bore the rates directly. Then he would ask them to consider with him who would bear the rates when the new local rating arrangements came into force, under the new Local Government Bill, and rating assistance was granted to industrial premises and to agriculture. And then he was going to ask them to think over with him not "Who bears the rates directly?" but "Who really and truly bears the rates finally?" because there was a great difference between the party who might bear the rates directly and the party who ultimately paid the rates.

SHEFFIELD AS A TYPICAL EXAMPLE.

As to who at present bore the rates of a typical city like Sheffield, as being the persons responsible for the payment of the rates to the collectors, let him at once acknowledge his indebtedness to his old friend and colleague Mr. A. B. Griffiths, a worthy member of the Society and Sheffield's City Treasurer, who had supplied him with the necessary figures. The rates of the city amounted to a considerable sum, and might for the present period be taken at no less than £2,000,000 per annum, and therefore they were dealing with a big subject. Of the rates of the city at the present time the ordinary householder bore about half. Trade and industry bore about one-third, and special properties like land, gas, electricity, tramways, public utility undertakings, and last, but not least, public houses, which stood in a class by themselves, paid the balance of about one-sixth. It might be supposed from the fact that about half the rates of the city were borne by householders that every householder knew and felt the burden of rates. That was not quite the case, speaking of the direct payment of rates. Of the half of the rates paid by householders, about three-quarters was payable not by the ratepayers directly to

the City Treasurer, but by the landlords of the properties in which the tenants dwelt. The rates of by far the greater number of houses in Sheffield were not paid directly, but to the landlord as part of the rent. He could keep them quite a time on some of the economic and political aspects of the payments of rates by ratepayers as part of the rent instead of as a payment directly to the rate collector. There were cynics who said that it was a very good thing the rate collector had not to visit the houses of the lower working classes for the collection of rates, and similarly that it was not altogether a disadvantage that a tax collector did not have to visit for the purposes of the collection of the national taxation the houses of the workers, who mostly paid their national taxation by indirect charges rather than by direct levies upon their income or property. But however that might be, let him remind them that more than one town had tried the direct collection of rates, so that rates should be payable directly from every occupier of a house to the rate collector. Amongst those authorities who had tried that system were Birmingham, many years ago, and, more recently, Sheffield. In theory he dared say a sound argument could be put up for the plea that it was a very good thing for every householder to have to pay directly to the rate collector and know what the rates cost him. It might be suggested that only by each ratepayer having to pay like that could you impress upon him what high rates meant, and only by that means get him to pursue a policy which kept the rates down rather than put them up. But most of those arguments for making ratepayers in every case pay their rates to the rate collector and not indirectly with rent to their landlords were academic. The result of it was the employment of an army of rate collectors who did not add to the popularity of their profession. Even if they were all genial fellows and good citizens, and no matter how excellent they might be in their jobs, the fact remained that they could not get the rates in. There was something in our system which did not confer upon every householder the capacity to save his wages, or part of his wages, in such a way as to be able to pay his debts at any longer intervals than weekly. Even for weekly disbursements many citizens had difficulty in making their weekly budget balance. Therefore, when you came down to hard facts, unless you could arrange for your rates to be paid weekly and as regularly as rent had to be paid, you could not get them in. Too many workers were quite unable so to arrange their budgets as to put aside for that rainy day on which the rent collector called, and the experience of Sheffield had been like that of every other place. West Hartlepool was another instance, and there were others, where this direct payment of rates by householders had been tried unsuccessfully, and the only satisfactory system seemed to be that the rates on small houses which were valued at from about £5 a year to, say, £13 a year—that meant a payment of rent up to 7s. or 8s. a week—should be paid with the rent to the landlord by so much a week. The landlord therefore collected the rates from the tenant in most of the houses in Sheffield as part of the weekly rent, and the householder set aside the weekly sum out of his wages. And by law the landlord was compelled to put in the rent book "8s. rent," and "3s. or 4s. rates." For that service he was allowed certain discounts, for what was known as compounding the payment of rates and collecting from the tenant. The person who bore the rates in the first instance in the greater number of cases in Sheffield was the landlord rather than the tenant. It was only the tenants of houses of more than, say, 10s. a week who paid their rates directly at all. As he had informed them already, about one-third of the total rates of the city fell upon industrial premises. It had been made a strong feature of criticism of the rating system of this country that these

rates were not properly or fairly borne by industry. It had been pointed out that Schedule D Income Tax was only payable by an industrial concern if it made profits, whereas on the other hand rates were payable, just as rent, whether the place made a profit or not. And for that reason it had been contended that rates were a heavy clog on industry and that they should in some way or other be related to profits, and that, in short, the burden of rates was so heavy and unfair that some system should be devised for altering our basis of rating altogether so as to relieve industry and put more on to the householder.

He was going to ask them to take, for the purposes of illustration, a workman's cottage, paying 6s. 6d. to 7s. a week in rent apart from rates, and assessed at, say, £12 to £13 a year. Put that in one hand for the purposes of comparison and in the other hand take a large block of industrial premises of some well known firm paying a big sum in rates. What did they get for it? There might be some claiming that rates ought to be borne not according to the annual value of the premises, as they were at present, but according to the benefits received. The rates of a city like Sheffield were shared amongst the citizens according to the rental value of their premises. That was roughly what it came to. Taking an ordinary householder, if he possessed a domestic partner who wanted a 10-roomed house and two or three maids, whether the income would stand it or not, that domestic establishment paid for the esteem in which it was held locally by being charged with rates on an occupation value of £100 a year, though the occupier might not be having in salary more than £400 or £500 a year. Another occupier whose requirements were more modest might be occupying a house of "three up and three down," and might or might not possess the luxury of a maid. That house was probably assessed at about £35 or £30 in annual value, and the rates on the first house were about three times as great although the size of the families might be the same, and the income of the alleged master of the house might be the same. The expense to which the households put the city might be the same in each case, but the householder in the larger house paid three times as much as the one in the smaller house. With regard to householders, it was clear that it was not according to benefits received or services rendered that they paid their local rates. They bore the share of the cost of running the city according to the annual value of the house occupied. Thus, coming back now to the house that paid about £10 a year in rates. Supposing there were a father, mother, and four or five youngsters—at any rate, three youngsters of school age. In any household in the city in which there were three children of school age, attending school, the cost of education alone was more than the whole of the rates that house paid. Therefore, it was impossible to contend that rates were borne according to the benefits received. Practically every workman's house in Sheffield where there were such children cost more in public services it received than it paid in rates. Now let us turn to the case of the large works or manufactory. They would be paying not on £10 a year, but many of them on £1,000 a year and upwards as the annual value of the premises. Consider the case of a factory with a rental value of £10,000. What did the works get for it? There were things like the use of the streets for their cars and lorries, sanitary arrangements, the inspection of their factories by health inspectors, health services generally, &c. But no one could pretend that a typical factory paying, say, £10,000 a year in rates got anything like that amount of benefit directly from the services rendered by the city. The whole of the expenditure of the city, therefore, was distributed in that curious and irregular way in accordance with the value of the premises, and it was because

those large works had to bear such very large shares in the city's expenditure that people said "Devise something for their relief in some way or other." Producers were being handicapped in competition both for British trade and for export trade by the burden of local taxation.

EFFECT OF THE NEW BILL.

What was going to be the effect of the new Bill? There were not many cities in the country which would benefit more than Sheffield by the relief in the rates borne by the trade and industry of the city. The new scheme was designed to operate in such a way as to assist very greatly an industrial city like Sheffield. It did so in two ways. First of all it took away from the trade and industry of the city a burden of no less than £400,000 a year. Hitherto the trade and industry of Sheffield had borne the best part of £750,000 as the burden of local rates. The productive industries of the city, which got the benefits of the new Bill, would receive about three-quarters relief of the rates on their premises, and that relief on productive industry in Sheffield, and on agricultural land of which there was a fair amount, amounted to about £400,000 a year. In addition to that relief, the city was of a kind which benefited by the new system of distributing aid from the National Exchequer. The new system depended upon population, and upon elements in that population such as the number of children under five years of age, the number of unemployed, the rateable value per head of the city, &c., and that new method of distributing Government assistance in the relief of rates would give Sheffield approximately £90,000 more in State aid than it got to-day. In the future, when the new Government scheme came into operation, the trade and industry of Sheffield would bear about one-sixth of the total rate instead of the present figure of about one-third. The relief to trade and industry would be made up out of the new Government assistance and more than made up to the extent of £80,000 to £90,000, which was equivalent to a relief of 8d. or 9d. in the £. Before the new scheme was thought of, it had been generally considered that any relief to trade and industry must have to be by putting the rates up to everyone else. No one thought of putting on new taxation to make up for it. But under the scheme devised by the Chancellor of the Exchequer it was met by new taxation in the form of a tax on petrol, and it was mostly out of that tax that these reliefs to industry were being given. He could keep them quite a time if they were sufficiently interested to see, in the case of a typical works, how far the manufacturer who was let off rates on his premises made it up by the extra price of petrol. It looked as though about one-third of the relief industrial firms got by reductions in the local rates was made up by extra taxation on the petrol used by the various motor vehicles. Of course, that proportion must differ very considerably according to whether works were on the railway side, loading goods direct on the railway, or whether a works was a long distance from the railway and distributed its stuff by road and received its raw material by road.

He would like them to consider what the effect of this rating relief would be on the taxation of a firm. Rates were a working expense for the purpose of determining liability to Schedule E assessments. But some portion of the amounts sliced off was going to appear in the additional taxation by increased profits liable to assessment in Schedule D. That fact was not news to the industry of Sheffield, but the general view of those who represented trade and industry of the country was that they did not mind paying taxation out of profits, if, by a reduction in rates, their profits were increased. But they objected to having heavy rates to pay whether they made profits or not.

WHO BEARS THE RATES FINALLY?

From what he had said they would see that the new Local Government Bill did make a material difference in the way rates were going to be borne in the city of Sheffield. But who really bore the rates of Sheffield? It must be perfectly obvious to all thinking men that while rates might be paid in the first instance by A, B, C or D, other people often bore the burden of rates. In the case of the working man who paid his rates with his rent, he might never hear the word "rates" or know what he paid in rates. Clearly, however, although the landlord paid the rates, it was the worker who actually paid them with his rent. But take the works. The works paid in some cases on an assessment of £10,000, requiring rates of about £9,000. Who bore the rates in that case? In the first place, it was clear the works paid them, and that they came out of the profits. But who did pay them? They could take some different types of trade and industry and see who really paid the rates. Take the shopkeeper. Was it not quite apparent that while the shopkeeper paid the money in the first instance to the rate collector, he charged those rates directly on his customers? They could illustrate that by actual experience. If they bought a swagger suit from a swagger shop in a swagger street they paid more for it than they did if they had some little tailor man in some side street. One of the reasons for that was the high rent of the swagger shop, and that rent carried with it higher rates, and a man quoting for a suit reckons up rates and all costs. They paid a higher price because he was visiting upon them the expenses he was put to in the shop, including the higher rates according to the situation of the property. As long as that shop paid its way the rates were payable by the customers. When the shop began to fail to pay its way the rates then were only partly paid by the customer, and they became payable by the owner out of his own pocket, or the shareholders' pockets through the absence of dividends.

Take, secondly, a trade or business engaged in the supply of a proprietary article, particularly an article of food, such as condensed milk. No matter where the works were that manufactured the proprietary article, if it was an article that was absolutely necessary for domestic consumption, the rates were passed on to the consumer. In the case of proprietary articles it was easier to pass them on to the consumer than with a non-proprietary article, because there was a standard price for a branded article—you paid the same price whether from a big shop or a small shop. If a firm's articles were articles which it was essential for the public to have (or which as a result of clever advertising they felt they must have) there was not much difficulty in passing its rates on to the consumer.

But take the third class of case. Take a concern which was producing articles which the public were not bound to have and which depended upon the state of trade. Take a steel works producing machinery or steel for machinery, girders, railway lines, tram lines, steel frameworks, tools, &c. Those concerns were not always able to pass on their rates to the consumer. The law of supply and demand came in. In the first place there might be no output at all, or nothing to speak of, and yet the rates were substantially payable. In the case of foreign competition they might have to quote a price which practically excluded the rates from the working expenses. Quite a lot of foreign business had to be done on a quotation which had excluded local rates from the cost of the production. The rates were a standard charge and firms were known to say that they need not take them into account because they had to be paid in any case. Who paid in that event? It was pretty evident that the shareholder did. He paid the rates by money being diverted to the public coffers

and not to his dividend, and rates always had the preference. Take another class of case—any property they liked which was the subject of a lease for a long or a short term of years. When that lease was settled, the rates at that time were taken into account, but in pre-war times the tenant of a leased property would say "I have got to bear rates of 5s. in the £ and I can afford to pay for this land or these premises so many pounds a year." He would now say "I have now to pay 15s. to 20s. in the £. As long as my lease runs I have still to pay the same rent, but when my lease runs out I shall not be able to pay my landlord that rental. I shall pay him less." The leasehold terms interposed with a check upon the passing on of rates. Where supply and demand for such properties was about fairly balanced, the landlord might have to take the lower rent, but where demand exceeded supply, as for instance shops in the main business street, then the rent under lease might even go up on renewal, notwithstanding higher rates. There the customer paid once more.

Then what is the incidence of rates on land? As long as land was unoccupied, under our system, it paid no rates. He was speaking then of a plot in the centre of Sheffield which was undeveloped—nothing on it. It paid no rates, but immediately it came to be developed, rates became payable on it, and they might say, of course, in that case, that obviously the tenant bore the rates, but they would not be quite sure in many cases when they came to go into the facts, because the tenant said "I can only afford to pay £500 a year for it, and if my rates are £250 I can only afford to pay the landlord £250."

Rates are payable by a gas company. The company might hand the cheque to the rate collector, but the gas company came in the category of people who could pass on the charge for rates to their consumers. Every person in Sheffield who consumed gas paid the rates on the gas undertaking, and in fact what it came down to in the last resort was that the people who really paid the rates were the consumers where the rates could be passed on, the landlord where the rates could be passed on to the landlord or taken into account in fixing the rent, and in cases where there could not be anything of that kind passed on they were paid by the shareholder or by the householder. It was impossible to lay down any academic rules in saying who paid the rates, but he had given a few illustrations to show how rates were shifted from the person who handed the cheque to the collector on to other people—all classes of people.

In conclusion, he would remind them that this country was one of the few which stuck to one method of making people bear rates. That one method was the determination of the annual value of the property occupied, and according as their share of the total annual values of the properties occupied in the city was to the total, so was their share of the cost of running the city. From time to time people had tried variations in the method of assessing rates. A local income tax had been suggested, so that the people who bore the rates should be those who made the profits, and a classic illustration given in that instance was a certain gentleman whose name he (Mr. Collins) would not mention, who occupied a magnificent suite of offices and employed many clerks in running one of the biggest "bookie" businesses in the country. He paid £200 or £300 a year in rates, and it was obvious that he must be making many thousands a year. To reach cases like that, some suggested that a local income tax was the thing. There were others who said the basis of the valuation ought to be the capital value of the property, and property ought to pay whether it was occupied or not. There were those who were out to catch the people who owned

properties which they held up until they could get better rents, and some would levy a charge towards the cost of running a city upon the capital value of those premises. A good many suggestions had been made, some of which might be amusing but seriously entertained by those who put them forward. But they had all failed to make any impression upon the old system. The system of assessing on the capital value of property was a system common in South Africa, Canada, America, and Australia, but it was a system this country, up to now, had had nothing to do with. But reverting to the local income tax suggestion, there was one phase of it that supporters sometimes overlooked who used the "bookie" business as an argument. That was that although the rates of Sheffield were just now about 18s. 8d., comprising about one-third for the relief of the poor and two-thirds for the Council, those rates would have been about one-third higher if it had not been for the fact that the Government had paid over to Sheffield very substantial grants towards the cost of education, public health and similar services that were State-aided. It was mostly out of the income tax that those contributions which reduced rates came, and therefore the British system was to provide for about one-third of the cost of running Sheffield to begin with at the expense of the taxpayer, mostly out of income tax, but to some extent by indirect taxation. By that process they got about one-third of the cost of local government deferred by the taxpayer before they came to the local ratepayer at all, and it was to defer the balance of about two-thirds that the local ratepayers came in and paid their share.

He had only attempted to arouse their interest in the subject, said Mr. Collins in conclusion. He was not going to move any proposition or to invite any particular form of discussion, although he would do his best to answer questions. His main object was to ask them to give some thought to the questions he had dealt with. Was their present system of collecting the cost of running a city incapable of improvement, and if it was capable of improvement, in what direction should the improvement be sought? Was their method of carrying on their city administration—he was speaking in the abstract—expensive, and, if so, why? Was the method of settling the shares of their liability as between the taxpayer and the local ratepayer right, and if it was not what should be the right method? Those were problems which were always exercising the minds of those who had spent their lives in local government service, and which were not often before "the man in the street." They were all householders paying local rates, and he did not think, except on an occasion of that kind, that anything would have occurred to their minds to consider how much of the rates of Sheffield they really paid, how much they paid as householders, how much they paid on their purchases and how much they paid as taxpayers. He sometimes thought that on an occasion of that kind they did well to consider the basis on which their shares were founded, and he had spoken with a view to arousing their minds on those questions. (Applause.)

Asked whether the assessments on Schedule A were going to be advanced in proportion with the increased valuation, Mr. Collins said that question had recently been raised in the House of Commons, and the Chancellor of the Exchequer had stated that he had at present no intention of asking Parliament to approve of legislation which would make the Schedule A assessments follow increased assessments.

Questioned about manufacturers of proprietary articles passing on charges for rates to consumers, Mr. Collins said that although an article had a standard price, and although rates became higher, the growing character of a business concerned with the manufacture of popular proprietary

articles allowed the firm still to pass on the rates to the consumers. With a growing business, although the rates might be higher in the £ and more in amount, the rates per article may be less than some years ago. Supposing the growth of the business had not been sufficient to pay rates out of the pockets of the consumer, and therefore increased amounts of rates had not been found otherwise than by a reduction of the profit, the balance was made up out of two sources. One was the national taxpayer who received from the firm less tax owing to reduced profits, and the second was the shareholder who owing to increase of rates lost a part of his dividend. Either the rates could be passed on—and mostly they were—or else they could not.

Dealing with the question of the possibility of levying rates on the adult population of the city (raised by Mr. W. G. Lee), Mr. Collins said it was a fact that in some of the American cities and in some of the Colonial cities quite a substantial part of the cost of local government was borne by what was called a head tax. It might well be that a head tax would be suitable to conditions here. It had its difficulties, and one of them he could call to their minds. Take a typical British workman: if you collected a head tax from him, unless you collected it weekly you might not get it at all. He had only so much in wages and could not pay more than a certain amount in rent, rates and taxes, so he would have to find a cheaper house or the collection could not be made. You could only make good a collection of revenue to the extent to which a man could pay. It would be contended that the imposition of a new tax like that would affect the relationship between wages and commodities. He would not delve so deeply into the subject as that, but there were some saying that the present method of levying rates on manufacturing firms' premises depressed the level of wages, and some said that when three-quarters of local rates were taken off manufacturing premises one of the first effects would be an improvement in the wages of employees, particularly with proprietary articles, because firms would go on producing the same quantities and qualities whilst deriving advantages on rates, and would have more profits unless workers stepped in and said "We want a share of those profits."

Mr. A. B. GRIFFITHS, City Treasurer of Sheffield, proposed a vote of thanks to Mr. Collins. He congratulated the societies on getting such an eminent lecturer, and spoke of the value of the work of Mr. Collins on behalf of municipal authorities in connection with the De-Rating Bill. He did not want the feeling to go abroad, however, that Sheffield was going to get the relief mentioned by Mr. Collins next year. It would not come into operation until April 1st, 1930.

Mr. SLATER WILLIS seconded the vote of thanks. He quite agreed with Mr. Collins on the question of direct rating. They could not get away from the fact that the man who received his wages weekly must pay his debts weekly, and if he did not do so he soon got into a mess. Speaking of the experiment made in Sheffield with direct rating, he said that before they tried it they were making a collection of 99 per cent., but within three or four years it dropped as low as 66 per cent., and in five or six years they were in arrears to the extent of three-quarters of a million pounds, and the whole scheme was a ghastly failure. He took some little part in restoring compounding and did not regret it. In the States he believed they assessed people not merely on the houses they lived in, but on the furniture in those houses, and he thought that if they were to be rated on machinery in works they might ask people to pay rates on their furniture. Shopkeepers and professional men thought manufacturers were being unfairly relieved by the new Bill, but he thought they were having what was due to them.

Mr. COLLINS responded.

South Wales & Monmouthshire District Society of Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the South Wales and Monmouthshire District Society of Incorporated Accountants and Auditors was held at the Park Hotel, Cardiff, on Friday, April 19th, 1929. Mr. EDWARD MILLS, President of the District Society, was in the chair, and amongst the 200 guests present there were: The Lord Mayor of Cardiff and Lady Mayoress (Alderman W. R. Williams, J.P., and Mrs. Williams), Mrs. E. Mills, the Mayor and Mayoress of Newport (Councillor Walter Griffiths, J.P., and Mrs. Griffiths), the Mayor of Merthyr (Alderman David Parry, J.P.), Alderman C. F. Sanders, F.S.A.A. (Deputy Lord Mayor), Sir William Diamond, K.B.E., Alderman Sir Iltyd Thomas, His Honour Judge L. C. Thomas, Alderman the Rev. William Saunders (Chairman, Glamorgan County Council), Mr. Henry Rowland (Clerk to the Glamorgan County Council), Principal C. L. Coles (Cardiff Technical College), Mr. Hugh Ingledew (President, Cardiff Law Society), Mr. T. H. Mordey (President, Cardiff Chamber of Commerce), Mr. F. J. Bristow (President, Cardiff Chamber of Trade), Mr. H. Ivor Smith (President, Newport Chamber of Commerce), Councillor A. E. Pugh, F.S.A.A. (Secretary, Newport Chamber of Commerce), Mr. A. Sutherland (President, Newport Chamber of Trade), Mr. A. J. Popham (President, Cardiff Shipowners' Association), Mr. Sidney T. Rees (Chairman, Cardiff Shipbrokers' Association), Mr. Sydney Bowling (President, Cardiff Rotary Club), Mr. W. J. T. Collins (President, Newport Rotary Club), Rev. A. A. Mathews, Mr. Frank C. Bevan (President, South Wales Society of Chartered Accountants), Mr. W. R. Gresty (Hon. Secretary, South Wales Society of Chartered Accountants), Mr. P. S. Lewer (Chairman, South Wales and Monmouthshire Chartered Secretaries' Association), Mr. R. J. Rimell (Hon. Secretary, South Wales and Monmouthshire Chartered Secretaries' Association), Mr. C. S. Lashmere (Hon. Secretary, South Wales Incorporated Secretaries' Association), Mr. Thomas Keens (President, Society of Incorporated Accountants and Auditors), Mr. Henry Morgan (Vice-President, Society of Incorporated Accountants and Auditors) and Mrs. Henry Morgan, Mr. E. Cassleton Elliott (Member of Council), Mr. B. Wilson Bartlett, J.P. (Member of Council) and Mrs. Wilson Bartlett, Mr. J. R. W. Alexander, M.A., LL.B. (Parliamentary Secretary, Society of Incorporated Accountants and Auditors), Mr. Percy H. Walker (Vice-President, South Wales and Monmouthshire District Society of Incorporated Accountants) and Mrs. Walker, Mr. J. Pearson Griffiths (Past President, South Wales and Monmouthshire District Society of Incorporated Accountants) and Mrs. Griffiths, Mr. T. N. T. David, B.A. (Hon. Secretary, South Wales and Monmouthshire District Society of Incorporated Accountants), Mr. A. Halme (President, Manchester and District Society of Incorporated Accountants), Mr. F. A. Webber (Hon. Secretary, West of England District Society of Incorporated Accountants), Mr. G. Brinley Bowen (President, Swansea and South Wales District Society of Incorporated Accountants), Mr. Henry Edwards (Vice-President, Swansea and South Wales District Society of Incorporated Accountants), and Mr. T. O. Morgan (Hon. Secretary, Swansea and South Wales District Society of Incorporated Accountants).

The toasts of "The King" and "The Prince of Wales" were duly honoured.

Mr. PERCY H. WALKER (Vice-President of the South

Wales and Monmouthshire District Society of Incorporated Accountants), proposed the toast of "Our Civic Governors." Having remarked that the City of Cardiff paid £1,250,000 per annum in salaries and that the turnover of the Corporation was about £1,852,000, Mr. Walker said that the District Society appreciated the great responsibility of their civic governors. Incorporated Accountants were playing their part in local government, as was shown by the fact that Alderman C. F. Sanders was Deputy Lord Mayor of Cardiff, Councillor A. E. Pugh was a member of the Newport Council and another Incorporated Accountant, Mr. John Allcock, who had an international reputation in connection with municipal finance, was City Treasurer of Cardiff. It was an interesting coincidence that the Lord Mayor of Cardiff and the Mayor of Newport were working members of the staff of that great organisation, the Great Western Railway, whilst the Mayor of Merthyr was a colliery official. All of them could be relied upon to carry out their important civic duties efficiently.

THE LORD MAYOR OF CARDIFF (Alderman W. R. Williams, J.P.), in responding to the toast, said that functions of this kind enabled Lord Mayors and other civic governors to hear something of what their constituents thought of them, and it helped them to keep in touch with the people they governed. But they were more like civic servants than civic governors, and were continually open to criticism. They were instructed to get on with the job, pay less wages and get the rates down and the buildings up. He was always begging people to take more interest in local government, but he felt inclined to say that Incorporated Accountants take too much interest. Figures are an elusive quantity to business men, but to you they have a very real meaning. No doubt you would have had no difficulty in explaining to a certain Council that a death rate of 6.4 did not mean that six persons had died and four were on the point of dying. The Lord Mayor said he was proud to say that of all the great towns, there were only two in England and Wales carrying less rates to-day than Cardiff. It was a significant fact which Incorporated Accountants would readily appreciate. Next to the Great Western Railway, the Cardiff Corporation formed the biggest business in Cardiff, and he thought he could fairly claim that the services they gave and the assets they possessed were amongst the best in the Kingdom.

THE MAYOR OF NEWPORT (Councillor Walter Griffiths, J.P.), who also responded to the toast, said that in this country they had a right to feel proud of the standard of public life which had been created and which could not be equalled in any part of the civilised world. In spite of criticism, it was generally admitted that they were all serving the interest of the community in the highest possible way. The amount of time which would have to be given eventually to civic government, would probably mean that it will become full time work and it was satisfactory to think that throughout the length and breadth of the country there were men and women ready to make personal sacrifices in the cause of local government. The test of the burden of rates was not what one gave but what one gets, and it is in connection with such questions that there is a great field of usefulness in local government for Incorporated Accountants.

THE MAYOR OF MERTHYR (Alderman David Parry, J.P.), also replied to the toast and observed that although the rates of Merthyr were 28s. in the £, that was not due to mal administration. During the last ten years their assessable values had been reduced by £100,000, and this gave some indication of the fight they had to maintain stability as a spending authority and to give adequate social service to the people they served. It was no easy task in Merthyr to be a public administrator at the present time.

HIS HONOUR JUDGE L. C. THOMAS, in proposing the toast of "The Society of Incorporated Accountants and Auditors," said that at one time he was a member of the oldest Golf Club in the world and amongst its members was a friend of his who had been a divinity student at Cambridge and became a stockbroker after he had graduated. It might appear to be a descent from the sublime to the ridiculous, but it was nevertheless a fact. Amongst his friend's views on high finance was a scheme for paying off the National Debt coupled with the enfranchisement of land. "Having informed me, amongst other things," Judge Thomas said, "that the King was the nominal owner of all the land of this country, I became intoxicated with the exuberance of his verbosity and reminded him that one of the greatest economists of the age (who, in parenthesis I might add, is an Examiner to the Society of Incorporated Accountants) was a member of our golf club. If you go to the tenth tee on Saturday morning you will see him drive the ball a distance of about ten yards. Furthermore, he has taken a delightful seventeenth century house in our neighbourhood, and there is nothing to prevent you calling on him and propounding your scheme to him. The scheme was duly put before the great economist, but I heard nothing more of it. A short time afterwards, however, when I was strolling past the economist's mansion, I noticed a large notice board bearing the words, 'This delightful residence to be let or sold,' and about two weeks later I accepted an appointment in South Wales. As far as I know the National Debt has not been reduced, and the King is still the owner of all the land."

Judge Thomas was glad to observe that the Society of Incorporated Accountants was very strongly constituted in the country of his adoption, and was particularly active in educational matters. He would like to draw the attention of the public to the fact that cases which came before him, particularly in connection with bankruptcy, had shown that the people concerned had been slow to take advantage of the services of the great profession of accountancy. Business men, especially those with substantial turnovers, would be more successful and might avoid financial failure if they retained a qualified accountant. Expense should not deter them. It was a principle, when he was a practising member of the legal profession, never to charge more than the client could stand, and he felt sure the same wholesome rule applied to the accountancy profession.

President's Speech.

MR. THOMAS KEENS, F.S.A.A. (President of the Society of Incorporated Accountants and Auditors), in responding to the toast, expressed his appreciation of the manner in which it had been proposed. He had a great deal of sympathy for the divinity student who felt the call of the stock and share market, for there were some members of the accountancy profession who, recognising their responsibilities and the inadequate remuneration which was their lot, had successfully transferred their energies to the Stock Exchange. He always felt some difficulty when crossing the border into the Principality, as he recognised Wales to be the home of eloquence. A Scotsman had stated that his race had not the gift of eloquence. They were said to be as economical in the use of words as they were generous in the use of money, but why Scotsmen should not possess eloquence he did not understand, having in mind that eloquence was a gift.

In reviewing the activities of the Society during the past year, Mr. Keens stated that continuous progress was being made. Their membership now numbered 5,110, in spite of a standard of examination which was so high that only 52 per cent. of the candidates in 1928 succeeded in satisfying the Examiners. The Society would be adequately represented at the International Congress of Accountants in New York next

September, and they had been invited to read three papers at this important gathering. The recent opening of Incorporated Accountants' Hall by H.R.H. The Duke of York was a great success, and the Society had a building of which they and future generations would be proud. South Wales was very well represented at the successful functions which were held during Inaugural Week, so much so, in fact, that the last and most reluctant person to leave the Dance which followed the Royal Opening was their own energetic Secretary, Mr. David. The many members and the various architectural societies which had so far visited the Hall had expressed their unqualified admiration of its remarkable art and craftsmanship. He was particularly pleased to think that the scheme for the development of the Branch and District Society organisation of the Society had been adopted, largely owing to the help which he had received from the Branches and District Societies themselves. Their co-operation and support was still necessary, since they had now to clothe the skeleton which had been set up.

REGISTRATION OF THE ACCOUNTANCY PROFESSION.

"I should now like to refer," said the President, "to a question which for many years past has been a topic of discussion amongst the members of the accountancy profession, and has become a matter of immediate importance, owing to the recent decision of the Society of Incorporated Accountants and Auditors. I refer, of course, to the Registration of the Accountancy Profession, that is to say, the establishment by Parliament of a register upon which would be recorded the names of accountants in public practice who would be qualified to act as such. The matter is one which must be considered from two points of view—that of the public and that of the profession itself. From the point of view of the public, whose interests are paramount and alone can and do justify legislation before Parliament, there can be little doubt that the registration of the profession would be extremely beneficial. It would result in fixed standards of qualification by professional experience and examinations and a system of discipline, involving the observance of proper rules of professional etiquette and conduct, which could be enforced by the controlling body.

From the standpoint of the profession, however, the matter is not so simple. The Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors, both voluntary organisations established almost half-a-century ago, have attained a position as professional bodies which cannot be equalled by any other unregistered professional body. In fact, in so far as the Institute and the Society are concerned, there is no necessity for a register, since for many years past they have maintained an irreproachable standard of professional experience and examination before admittance and have enforced a high standard of professional etiquette and conduct. The difficulty is, however, that in addition to over 13,000 Chartered and Incorporated Accountants, there are hundreds of accountants possessing some other qualification or no qualification at all, and ranging from the responsible public practitioner to the book-keeper and cashier.

In addition to the Institute and the Society there are at present ten other accountancy bodies. The majority of them have sprung up within the past few years and admittance to most of them is secured without adequate professional experience and without examination. There is nothing to prevent the formation of an indefinite number of these accountancy bodies, and so adding to the number of designatory names and initials by which members of the accountancy profession are described. This state of affairs operates to the hopeless confusion of the public, gives insecurity to the client and pours ridicule upon the profession. In saying these things, I seek not to disparage but merely to state facts which can but be admitted by every member of the

profession, whether qualified or not. Obviously, if registration is brought about, the price to be paid by the Chartered and Incorporated Accountant will be heavy and the "watering down" or "levelling up" (call it what you will) of the profession will operate chiefly in favour of those who are not Chartered or Incorporated Accountants. This also, I think, will be acknowledged by every fair-minded member of the profession.

We must not, however, look at the matter from the point of view of immediate personal interest, and we should remember that it is the younger practitioner, and not men of my own time, who will benefit most by the registration of the profession. The sole considerations should be the welfare of the public and the good of the profession in the next generation and ultimately. We shall never be a profession in the full sense of the word until we have "set our house in order" and have every accountant practising as such properly qualified, described and disciplined. When we achieve this, the public will have complete confidence in the profession as a whole, and we shall more nearly approach the dignity of the great registered professions of law and medicine.

Even when the profession is convinced and has proclaimed that registration is desirable, there still remains the difficult task of drafting a Bill which is generally acceptable and then of getting it passed by Parliament. This will be by no means an easy task, as the experience of other professions which have sought registration within the last few years tends to show. I will not, however, dwell upon these practical difficulties now, except to warn the profession that the fact that it desires registration does not necessarily mean that it will get it, although I believe that the time is more opportune for the difficulties to be overcome. The old cries of "monopoly" and the "keeping out of the poor boy" will be raised in the House of Commons and we should have to proceed with care if we are to secure an Act which is in the best interests of the public and properly protects, without prejudice to *bona fide* practitioners, the interests of the profession itself. Let us not be discouraged, however, by these difficulties. Let us get the principle of registration established and we can then use all our efforts, and there is reason to believe that they will be widely supported, to secure its realisation.

Some there are who will be inclined to say that the fact that the Institute and the Society failed to secure a Registration Bill in 1911 clearly shows that we cannot succeed to-day. In point of fact, we very nearly did succeed in 1911 and since that time there has been a considerable development in the importance and prestige of the profession. Moreover, the public is now more than ever aware of the important and responsible functions which the accountant is called upon to perform—functions which are not diminished by the increasing incidence and complexity of taxation, the growth of joint stock enterprise, and the extension of operations in the stock and share market. The Society of Incorporated Accountants and Auditors has always been in favour of the principle of registration, but since 1911 they have hesitated until now to move definitely in the matter, owing to the war and its aftermath and the belief that the time was not opportune to introduce the necessary legislation. This attitude of the Society in the matter was last communicated to the members in the annual report of the Council for 1924.

Nevertheless, of recent years the Society has received many representations from individual Incorporated Accountants as to the desirability of securing registration, and several of our Branches and District Societies have expressed themselves in favour of proceeding with the project. The information has been laid before the Council and the matter has

been debated from time to time, whilst at a conference of Branches and District Societies last Spring the question was fully discussed and referred to these bodies for further inquiry and report. The result of the reports and advice which we have received has been that the Council, at its meeting on April 10th, unanimously reaffirmed its belief that the registration of the profession of accountancy was desirable in the interests of the public and the profession, and, believing that a Registration Bill should be promoted in Parliament, they referred the matter to the Parliamentary Committee of the Society for consideration forthwith. I can say no more now as to the lines upon which we shall proceed, what measure of support we shall get, or upon what basis the proposed Bill will be drafted, but I feel sure that we shall have the whole-hearted support of Incorporated Accountants in the action which we have taken.

That the course which the Society has decided to pursue is the correct one has been confirmed by the remarks of Sir Thomas Robinson, in the Local Legislation Committee of the House of Commons on April 16th. Having decided, in accordance with the precedents which have been followed in Parliament since 1890, that the professional audit of the Chester Corporation should be carried out by Chartered or Incorporated Accountants, Sir Thomas Robinson, as Chairman of the Committee, said that the time was opportune to establish a register of properly qualified accountants on the lines of the legal and medical professions. The view of the Committee was that sound, reliable accountancy was of permanent importance to industry, commerce and the investing public, and they were of opinion that the accountancy world should carefully consider the matter, since it was felt that all qualified persons should have an opportunity of giving public service.

Let us hope that by good will a favourable atmosphere will be created amongst the members of the profession; that Parliament will see the wisdom of our proposals, and that subsequent generations will not have cause to say that we have proved unworthy of the trust committed to us.

In conclusion, Mr. Keens remarked that his term of office was drawing to a close. He had had three years of their support, three years of activity, and he thought he could fairly claim three years of advancement and success. In the future still greater progress would be made, still greater success, for the foundations of the Society had been well and truly laid. He took the opportunity of thanking the Council for their loyalty and for their support of the measures which he had brought forward. He acknowledged the unwavering support of the Branches and District Societies and he desired to pay tribute to the loyal and ungrudging services of the officers of the Society.

IMPROVED TRADE.

Mr. J. PEARSON GRIFFITHS, F.S.A.A. (Past President of the South Wales and Monmouthshire District Society of Incorporated Accountants), proposed the toast of "Trade, Commerce and Industry." He said that at the last annual dinner he had expressed the opinion that some small progress towards recovery in trade was beginning to be seen. To-night he could say that that progress had been maintained, and there was a gradual regaining of our country's place in the commerce of the world, although we are very far from having recovered that pre-eminence in commerce which we previously enjoyed. One very pleasing factor has been the better feeling that has come into existence between employers and employees. Team work pays in the matter of trade, and what is now necessary is that stability of purpose which has been displayed by the United States of America to a much higher degree than in our own country since the war.

South Wales was hit by the slump more severely than almost any other part of the Kingdom, but conditions to-day are more favourable than they have been for several years. There has been an increase in the demand for all the principal products of the district. For the first time since the early part of 1927 the production of coal has exceeded 1,000,000 tons per week, whilst for the first time since shortly after the National coal strike of 1926 the South Wales colliery companies are, on the average, being worked at a profit, whereas during the year 1928 a loss of nearly £3,000,000 was suffered. The foreign and coasting traffic of the South Wales ports has been at the rate of over 30 million tons per annum during some of the last few weeks. The iron and steel industry is increasingly active, the output last month of steel ingots in the United Kingdom exceeding the pre-war figure by more than 3 million tons. This is largely due to the re-opening of furnaces in South Wales and Monmouthshire, which is the largest steel producing district in the Kingdom, the principal local steel consumers being the tinplate and galvanised sheet industries. The failure of continental supplies during the severe climatic conditions in Northern Europe during January and February and the rising costs of production on the Continent, have increased the demand, which is likely to be accentuated, for British coal and steel. Another notable development, Mr. Pearson Griffiths continued, has been the selection of Cardiff as a port of call for the great trans-Atlantic liners. The huge population of more than 10 millions within 100 miles of Cardiff is engaged mainly in industrial pursuits, and is dependent chiefly on imported foodstuffs for sustenance. Cardiff, moreover, is favourably situated geographically, not only as an inlet for foreign products and as an outlet for surplus Midland and South Wales goods, but also as an Atlantic port, being nearer to Quebec and Montreal than any other West coast port, excepting Liverpool. In view of this it is a very astonishing fact that Cardiff cannot claim as much as 1 per cent. of the value of the import trade of the United Kingdom, whilst its exports, including coal, represent less than 2 per cent. of the total f.o.b. value of the export trade of the country. It is because the value of the trade of different ports varies inversely with the extent to which liner traffic is catered for, that we welcome the development of Cardiff in this connection. Even Harwich has an import trade of a value nearly four times that of the port of Cardiff. If, however, the port is to take the place to which it is entitled and compete successfully with Liverpool and Southampton, a large expenditure of capital will be necessary to provide new facilities, upon which a start has already been made.

Mr. A. J. POPHAM (President of the Cardiff Shipowners' Association), in responding to the toast, confirmed that the trade barometer was steadily rising. Last year saw a revival in shipbuilding, although the supply of tonnage already exceeded the demand, showing that the owners had confidence in their industry. More economical and scientific means of burning coal have been adopted, and the use of pulverised coal may tend to re-establish our coal trade, which undoubtedly has been affected by the increased use of oil. He felt that if it becomes possible to extract oil from British coal on an economic basis—thus rendering the country independent of foreign oil supplies—and leaving a marketable produce suitable for burning or pulverising, then it could be said the outlook for the coal trade was brighter than ever in its history. There was every hope of a solution being found of the technical problem in question.

Mr. EDWARD MILLS, F.S.A.A. (President of the South Wales and Monmouthshire District Society of Incorporated Accountants), then proposed the toast of "The Visitors," remarking that he would avoid the mistake of the old

gentleman who, in endeavouring to put his guests at ease, said "I am at home and I wish you all were." We are far past the days when it was customary for guests to bring their own eatables to the banqueting hall. To-day our visitors bring something much more important than that. They bring the spirit of appreciation and encouragement which urges us, as hosts, to put forth our best efforts, and the average Englishman enjoys entertaining his friends. He had pleasure in coupling with the toast the names of Sir Iltyd Thomas, K.B.E., whose magnificent work on the Cardiff City Council and in many other directions is well known, and Mr. F. C. Beavan, F.C.A., President of the South Wales Society of Chartered Accountants, with which body the relations of this Society had always been most cordial.

These gentlemen having suitably responded to the toast, the gathering concluded with the singing of the National Anthem. A programme of music was rendered during dinner by Garforth Mortimer's orchestra, and Miss Hilda Salt contributed a number of songs.

Presentations.

During the evening a cabinet gramophone was presented to Mr. Percy H. Walker, in appreciation of his services as the former Honorary Secretary of the South Wales and Monmouthshire District Society of Incorporated Accountants. In acknowledging the gift, Mr. Walker, who is now Vice-President of the District Society, said that he always had been, and still was, very anxious to do all that he possibly could for the District Society and Incorporated Accountants generally.

Presentations were made by Mr. Thomas Keens of Honours and Place Certificates to successful local candidates in recent Examinations of the Society, including an Intermediate Honours Certificate to Miss Dorothy May Slaymaker, who was the first woman candidate in Wales to secure honours in the examinations of the Society.

CHARTERED INSTITUTE OF SECRETARIES

Country Conference.

The annual country conference is to be held in Scotland on May 9th, 10th and 11th.

The first two days—Thursday and Friday—will be spent in Glasgow, with headquarters at the Central Hotel. The third day—Saturday—will be spent in Edinburgh, with headquarters at the Caledonian Hotel. The programme, which has been arranged in conjunction with the Glasgow and West of Scotland Branch and the Edinburgh and East of Scotland Branch, is as follows:—

On Thursday, May 9th, the conference will open in the Merchants' Hall (7, West George Street), at 10.30 a.m., with a civic welcome by the Lord Provost, Sir David Mason, O.B.E. This will be followed by a paper by Mr. Alexander Johnston, J.P., chairman of the Edinburgh and East of Scotland Branch and managing director of the North British Rubber Company, Limited. The paper and discussion thereon will finish about 12.15 p.m. During this business meeting the lady visitors will be conducted by a committee of local ladies through the City Chambers (meeting at George Square entrance at 10.30 a.m.) and thereafter to other points of interest in the city, including the shops.

At 2.30 p.m. the members and their ladies will assemble at the offices of the Clyde Navigation Trust (16, Robertson Street) and embark on the launch of that authority as their guests for a trip down the Clyde and a general view of the harbour and shipbuilding yards; and tea will be provided on board. The party will arrive back and disembark about 5 o'clock.

At 7.15 p.m. the dinner will take place at the Central Hotel, preceded by a reception by the President of the Institute (Mr. W. G. Verdon Smith, C.B.E.), the President of the Glasgow and West of Scotland Branch (Sir John Cargill, Bart., D.L.), and the President of the Edinburgh and East of Scotland Branch (Mr. George J. Scott, J.P.).

On Friday, May 10th, the business of the conference will resume at 10.30 a.m., at the Merchants' Hall, with a paper by Colonel William Parker, D.S.O., of London (Vice-President of the Institute), entitled "The Channels of Investment." He will deal with some points on the financing of industry with special reference to the stock and share market and the furnishing of funds, his main purpose being to trace the channels by which the 5 per cent. bond, the 5½ per cent. debenture stock, or the 6 per cent. preference share travel from the Government, municipality or company that creates them to what is usually known as "the permanent investor." During this second business meeting the ladies will be conducted over the carpet factory of Messrs. James Templeton & Co., at Greenhead, at the kind invitation of that firm. This carpet factory is considered one of the finest in the world.

At 1.45 p.m. the members and their ladies will assemble for a motor tour of Loch Lomond, Loch Long and the Gareloch. Tea will be served at Tarbet Hotel. The party will arrive back in Glasgow soon after 6 o'clock.

On Saturday, May 11th, in Edinburgh, the programme is as follows:—

10 a.m.—Assemble by the Walter Scott Memorial in Princes Street and proceed to Edinburgh Castle for a conducted tour of inspection thereof, and of the Scottish National Memorial which is within the Castle curtilage.

From 12.30 p.m. until 2.30 p.m. members and their ladies will be free to inspect the old part of the city (including the Cathedral) and Princes Street, &c.

At 2.30 p.m. the party will assemble at the Caledonian Hotel for a visit (by motor conveyance) to the Palace of Holyroodhouse.

Changes and Removals.

Messrs. J. A. Cook & Co., Incorporated Accountants, have removed to 10, Essex Street, Strand, London, W.C.

Messrs. Fred. A. Fitton & Co., Incorporated Accountants, have removed to British Dominions House, 30, Cross Street, Manchester.

Messrs. Kemp & Jones, State Insurance Buildings, 14, Dale Street, Liverpool, announce that they have admitted into partnership Mr. C. L. Kemp, A.C.A.

Messrs. Kidger & Greenland, Priory Buildings, Union Street, Oldham, have admitted into partnership Mr. William Davies, Incorporated Accountant, and Mr. T. Smith Sanders, Chartered Accountant. The firm in future will be known as Kidger, Greenland & Co.

Messrs. Arthur E. Piggott, Son & Southworth, Incorporated Accountants, have removed to 37, York Street, Manchester.

Messrs. Watkinson Roberts & Co., Incorporated Accountants, have moved from 2, Guildhall Chambers, Basinghall Street, E.C., to 10, Essex Street, Strand, London, W.C.

The partnership hitherto existing between Mr. George Watkinson Roberts, Incorporated Accountant, and Mr. Alfred George Green, Incorporated Accountant, under the style of Watkinson Roberts & Co., has been dissolved by mutual consent. The practice formerly carried on by the partnership will in future be carried on under the same name by Mr. G. Watkinson Roberts at 10, Essex Street, Strand, London, W.C.

Messrs. A. E. Webster & Co., Incorporated Accountants and Auditors, 22, Martin Lane, Cannon Street, London, E.C., have taken into partnership Mr. R. F. Sheppard, Chartered Accountant, of the same address, as from April 1st, 1929. The practice will be carried on at the above address as heretofore under the style of A. E. Webster & Co.

The Accounts of Executorships and Will-Trusts.

A LECTURE delivered before the Manchester and District Society of Incorporated Accountants by

MR. GODFREY CRAVEN, F.S.A.A.

MR. CRAVEN said: There are many attractive features of this class of work. Firstly, from the student's point of view, a question of amazing simplicity confronts the nervous candidate on his accounts paper, and he takes heart of grace from the imposing and obviously correct answer which appears with a facility equally amazing. It is quite certain that once the underlying principles are grasped the work is very easy; even to the practitioner it gives a feeling of achievement because so much can be done with so little effort and the trusting layman feels that he is getting value for his money.

That brings me to my second point. Executorship and Will-Trust work is extremely profitable from the ordinary practitioner's point of view.

The apparent morass has to be cleared up, docketed, pigeon-holed, and written up, and the whole thing properly organised. After that the accountant can easily keep the job going with very little effort.

According to several decisions of different dates, it is incumbent upon every executor and trustee to keep proper accounts of the conduct of the trust, and if he is incapable of doing so he is entitled to employ someone competent at the expense of the estate.

Sect. 23 of the Trustee Act of 1925 gives very wide powers as to the employment of agents for varying purposes in carrying out the trust, and the wording includes the usual all-embracing statement which can be deemed to include anything.

Another section of the same Act also provides for an audit of the accounts once in every three years, but is silent as to whether the period of the audit is to be one year in every three, or three years each time. This is, however, quite immaterial if the accountant is employed to write up the books, the compiling of an annual balance-sheet and income account being a matter of simplicity with a result more or less self-checking.

It is impossible to stress too heavily the importance of proper statements of account in will-trusts. The remainderman is entitled to a properly prepared statement, and it is the trustee's duty to provide it even if not called upon to do so. The fact of the case being purely a family one is often unfortunately all the more reason for adequate records, balanced and audited with the utmost possible care.

I had an interesting case in my own office recently. The testator appointed two sons-in-law as trustees, the two daughters being life-tenants and the estate to be held in trust for any grandchildren living at the time of the testator's death. One daughter died childless shortly after her father. At the time I was called in, the trust had been carried on for eleven years, the widower son-in-law had married again, and the only persons interested were the surviving daughter and her son, one as sole life-tenant and the other as remainderman. The uninterested trustee wished to be released; his co-trustee and the remainderman were anxious to release him and appoint the life-tenant as his successor. There were no records of the trusteeship beyond the bank pass books and a mass of receipts and other papers. I was engaged to prepare eleven years' accounts, and as the estate was partly in real property and partly in trustee securities

which had been changed several times, you can imagine the glorious time I had.

There is also another aspect of the work, the psychological one. To anyone even mildly interested in the study of his fellow men, it is absorbingly interesting to observe their reactions to one another under one of the most demoralising of all influences—expectancy. It is interesting to hear their opinion as to each other's management of an estate during a period of trusteeship, and as to the freedom or otherwise of the testator to dispose of his estate according to his own wishes.

In connection with the last mentioned point, I discovered recently that according to Scots law a man is bound to leave a proportion (I believe one-third) of his whole estate to those persons dependent on him at the time of his death. This is a provision which might justifiably be introduced into our own legislation.

The Scottish colleague who pointed this out to me was surprised that it was not so in England, and when I jokingly pointed out to him that those at Westminster had to put all sorts of special provisions into their statutes to satisfy the barbaric demands North of the border, his retort was that Scottish laws are founded on the old Roman laws but the English made laws to suit themselves.

Finally, there is the interest derived from the efforts of our friends the solicitors to dispense with our services. It has been my experience on numerous occasions that the solicitor on the job has been shown up in a most unfortunate manner. A solicitor is not as a rule a man of figures, and was not intended by the good Lord to be one or he would have taken up accountancy instead of the law. Most Inland Revenue affidavits are a means to obtaining probate only and not a settlement of estate duty. It has always been my impression that the two things should be done at one and the same time, but I am open to correction. I have the utmost respect for solicitors in their proper sphere and I do not wish to labour the point unduly, but in many cases the accountant's first job on a trust estate is to prepare particulars for a corrective affidavit.

Forgive me for introducing the personal element so much, but after all, experience is the foundation of all opinion worthy the name, and I should like to cite a case briefly which put into my bonnet the particular bee which is buzzing at the moment.

My very first trust estate job was one in which I had already been employed by the testator as auditor. I prepared a balance sheet up to the date of death and suggested to my legal friend that he might include in the Inland Revenue affidavit the actual amount of the capital account of the business along with the private assets, and show the balance-sheet and lists of debtors and creditors as subsidiary information, a method which I have since proved to be highly satisfactory. He scorned my advice, and showed all the business assets and liabilities mixed up with the private ones, taking the information from the balance-sheet. That may or may not have been advisable according to one's point of view, but nothing could justify the inclusion of ten months' profit accrued to date of death, the balance on the trading and profit and loss account, which had already been shown in cash and book debts. The estate duty office, of course, could not be expected to spot the error, especially as they did not have the balance-sheet, but it is to their credit that they saw a mistake in the subtraction of the liabilities from the assets and very kindly refunded the duty on £900 when acknowledging the payment.

This little experience certainly gave me an early introduction to the form of corrective affidavit but I think that hardly justified the solicitor's shortcomings.

The necessity for accounts is a very great and a very comprehensive one, but although the necessity has always been there it is only of comparatively recent years that there has been any precedent for establishing the executor's or trustee's duty in that respect. I say comparatively recently because the statute law goes as far back as the reign of Edward I, or possibly even further. There was an interesting provision made at that time that dower be forfeited by elopement with an adulterer, and although dower has been more or less abolished by the Administration of Estates Act of 1925, the abolition does not apply to entailed estate, and one assumes that erring wives of the landed gentry and nobility may still become dowagers in name alone.

There was a statute of administration in 1530, during the reign of Henry III, and that has not been repealed by the recent law. The table of statutes in any text book on executorship administration and will trusts is a long and forbidding one, introducing the names of many monarchs associated more with military prowess or profligate living than with legislature for the benefit of widows and children. The greater bulk of the law is of nineteenth century enactment, but even there it covers such a wide field that one regrets there has not been a more whole hearted attempt to codify it all rather than merely the provisions relating to real property.

I do not propose to deal with the Act of 1925 at all, but prefer to concentrate on more obscure matters, mainly case law, which have some bearing upon the professional accountant and his interest in an estate in every capacity.

Firstly, let us take a group of decisions all relating to the same point of interest. The dates vary from 1803 onwards, and can be readily found in "Spicer and Pegler on Executorships."

(1) It is the duty of an executor or trustee to keep faithful and accurate accounts of all transactions for which he is responsible as executor or trustee.

(2) The accounts must show all receipts and payments and must be substantiated by vouchers.

(3) The beneficiaries are entitled to examine the accounts, and the executor or trustee must produce them at any reasonable time.

(4) On completion of an executorship, or at the end of the first year, the executor should render accounts to the parties concerned. In the case of a trust the accounts should be rendered periodically, and on distribution should be rendered to each remainderman.

Fifthly, and lastly, if the executor or trustee is unable to do this he must employ someone capable at the expense of the estate.

There is a gold mine for the accountancy profession. If all executors had those facts driven well home at the beginning of affairs there would be less litigation and less general dissatisfaction on the part of many life-tenants and other beneficiaries. When an accountant receives his first appointment as trustee in bankruptcy he gets with it a large pamphlet of instructions; so also do members of a committee of inspection. The issue to executors of a similar document would mark the dawn of a new age of commonsense and understanding. How many executors know their obligations as regards accounts? How many solicitors acquaint them with the knowledge? And if and when they do know, how many are capable of performing the work efficiently, or even at all?

It is obvious, therefore, that the time for the accountant to come in is at the beginning.

It not infrequently happens that a trust runs for several years without any records being kept beyond that kept gratuitously by the bank. The life-tenant draws any money

which happens to be available. Often capital payments are made out of the income from sheer necessity, and the poor life-tenant suffers in consequence. Real property is not disposed of because it is more profitable from the income earning point of view than trustee securities. The attendant depreciation is borne ultimately by the remainderman, and they are often ignorant of the fact that they have any redress. All these points can be watched by an accountant, and advice can be given at seasonable moments.

I have often found the estate in debt to the life-tenant to the extent of several hundred pounds after only a few years, and the poor life-tenant has been struggling to make both ends meet, without realising the leakage. It has always been my practice to persuade trustees to keep a little fund at the bank on deposit, and to withdraw from that for purposes of capital expenditure on such items as property repairs and remuneration of the accountant, replenishing the account from time to time by setting aside a few pounds when any investment is changed.

Of course, many of these suggestions and ideas are only possible where the trustees are reasonable and sensible minded people. Sometimes one has to deal with persons who cannot see things from a reasonable point of view.

I have in mind the case of a woman of mature years, co-trustee with her sons and sole life-tenant. The estate was all in real property, and so far from there being any liquid capital there was an overdraft at the bank secured by deposit of deeds. The solicitor was not quite explicit enough in dealing with the good lady. He said: "Now madam, this estate is yours for the rest of your life; you can't dispose of it yourself because it passes to your children when you die." As a possible explanation of the principle of "tenant-for-life" it has its points, but unfortunately the solicitor died soon afterwards, before he could be called upon to amplify the statement. To this day, in spite of the usual clauses in the will about calling in and converting in reasonable time and so on, she believes that the now departed lawyer meant that she could not sell any of the property and she has believed it to such good purpose that she has raised building society mortgages to pay off the bank and is paying the mortgage subscriptions out of income. I have at last persuaded her to sell some of the most rapidly depreciating property, but she still believes that her husband and his solicitor will turn in their graves at her defiance of their instructions.

I must mention another reason why accounts should always be up to date. In these days of trade depression and shortage of capital people often raise money by mortgaging or selling a reversionary interest under a will. Naturally, the first requirement is a recent balance-sheet of the estate, and if the trust be an old one the delay in preparation where no records are kept may have serious consequences. Here again, the manner in which the estate has been managed is a factor of considerable importance. Where all the funds are nicely tucked away in trustee securities and all is in order, the reversion can be sold or mortgaged round any street corner on quite good terms. If, however, the whole estate or even a large part of it consists of house property it is almost impossible to negotiate either a sale or mortgage on any terms at all. If any one has experience to the contrary I shall be glad to hear about it, for I have hawked a case all over Manchester and London for years without success. In fact, I should welcome any opinions about the cases referred to from my own experience, and I am quite prepared to discuss the main facts of them either for your benefit or mine.

Having dealt at some length with the most important reason for keeping accounts and records of estate management I will refer briefly to the manner of the accountant's introduction

to the job. He may come into it by virtue of taking office himself as professional executor or trustee, or he may be called in by those appointed, to act as agent and general adviser. Much may be said both for and against the appointment of an accountant as executor and trustee, and I hope that someone will fasten on this as a controversial point for discussion afterwards.

Naturally, from the accountant's own point of view the main consideration is fees. I don't mean that in any grasping sort of way, but when all is said and done it is our living. This matter has in the past been the subject of much dispute and litigation, and it is now fairly clearly outlined by a series of decisions. Where he is appointed in the will there must be some specific provision as to remuneration, either in the form of a legacy or an authority to charge scale fees. In the latter case the fees only cover work of a strictly professional nature, and in both cases, if the estate should prove to be insolvent, the professional executor gets nothing at all beyond out-of-pocket expenses. Legacy duty is payable on profit costs earned in this manner, but is apparently not enforced by the department. These rulings do not tend to make the office of executor very tempting to an accountant, and probably the same points keep many estates out of the hands of banks and insurance companies acting in that capacity. My own experience and that of some people known to me is that these concerns are very anxious to renounce probate if the conditions of the will or the nature of the estate do not meet with their very critical approval.

Perhaps after all the best way is for the testator to stipulate that an accountant shall act with the solicitor from the beginning and shall supervise the conduct of the trust. I have repeatedly advocated this practice, not with my own clients, because it is hardly the thing unless they actually ask one's opinion on the point, but with various friends, and I know of one or two cases where the advice has been warmly received and acted upon.

Having received instructions the accountant's first duty is to obtain from the solicitor the Inland Revenue affidavit, estate agents' stockbrokers' and other valuations, details of any business in which the testator was interested, either solely or as a partner, debts due to and from the testator, and any other information relating to the assets and liabilities of the estate. The correctness or otherwise of the affidavit should then be ascertained and any necessary adjustments made. It should be seen that there is a proper banking account to be used exclusively for the purposes of the estate, and that all items received before the grant of probate have been paid in or otherwise accounted for. All transactions should be done through the bank, as it provides a check on the book-keeping and generally keeps the whole management well under observation. The accountant should obtain possession of all documents arising during the conduct of the trust, such as bills of costs from solicitors and others, stockbrokers' contract notes, dividend vouchers, apportionment accounts on sales of property, &c. In fact the trustees concerned should be encouraged to send everything to the accountant and let him sort out what is required for accounting purposes.

A solicitor mentioned to me the other day that accountants' methods vary considerably on this sort of work. That, of course, is quite natural, but he went on to explain that in one case the accountant put in a lot of work which was probably very wonderful and required much skill, but when the poor beneficiaries got their copies of the accounts they were completely mystified and could not understand anything about the estate at all. He then spoke in glowing terms of another accountant who turned out accounts of such simplicity and clarity that a child could understand them. That is the key

to the whole subject. However involved the solution of the various problems before the accountant, the result, in the matter of estate work, should be clear and straightforward. There is no excuse whatever for the production of a bewildering complexity of figures. Certain main items are required and all else is superfluous. The only things the trustee or the beneficiaries want to be able to find out from the accounts are:—

- (1) The source and amount of income.
- (2) The division among those entitled to the income.
- (3) The assets and liabilities of the estate, with special reference to the net value of the corpus of the estate.

Any other details are purely subsidiary and may include such items as the amount of income drawn on account by a beneficiary and the balance still due to him. Whatever the question raised, it can be answered on reference to the books, and once answered is finished with, but the main items already mentioned are points of constant reference for all purposes. The system of book-keeping used must therefore have these main issues in view all along, and the whole method should be capable of ultimate concentration upon these issues. One might say that the revenue account and balance-sheet are the ultimate end of every system of book-keeping, and that is perfectly true, but I would point out that the side issues in estate accounts are so numerous and often so important in themselves that there is a tendency for them to overshadow the main issues. Examples of what I mean are profits and losses on investments when changes are made, structural alterations and repairs to real property, income tax suffered by payment and by deduction, the payment of specific legacies in cash or in kind. Their place is in the ledger accounts provided for the purpose, and to include many of them in the yearly accounts would only complicate them in the eyes of the layman. Please do not think that I underestimate the importance of such details, I merely wish to stress the fact that they are not of primary importance to the beneficiary. Such items should be examined carefully by the accountant and given due consideration. The trustee's attention, and that of the beneficiary, too, should be drawn to any exceptional features. The circumstances surrounding loss of capital should be the subject of special inquiry, the sale of real property expensive to maintain should be considered even if the result be loss of income, for the trustee's first duty is to maintain the capital of the estate.

Much benefit will result to all parties concerned if the accountant makes a practice of discussing the year's transactions generally and any unusual items in particular. The discussion should be followed by some advice on future management, special importance being attached to the desirability or otherwise of changing any investments, disposing of property, investment of funds at the bank, and similar matters.

Having discoursed at some length on the necessity for accounts, and the various aspects of the accountant's position in relation to a trust estate, it only remains to give some indication of the most suitable form of accounting for the purpose.

In the first place, two books only are really necessary:—

- (1) The estate cash book;
- (2) The estate ledger.

The ruling should be three cash columns per page for the cash book and two for the ledger, in each case the pages being folio numbered.

Taking the cash book first, the columns are used for income, capital, and bank on each side. If all cash transactions are carried out through the bank the income and capital columns

can also be used as a journal, particularly for such items as specific bequests distributed in kind.

As to the ledger, the columns are used for income and capital except in such accounts as relate only to one or the other.

The ledger is opened by writing up the estate account, which is merely a recital of the Inland Revenue affidavit, and from it each separate asset or liability account is opened. An account should also be opened for administration expenses, and one for the income from the estate. To the credit of this latter account all income is transferred at the end of the year (or other period), and it is debited with payments to the life-tenant on account of income. This becomes a complete revenue account, and constitutes one of the accounts to be submitted by the trustee. The estate account should also be ruled off each year, and the balance is the net value of the corpus, agreeing with the difference on the balance-sheet between assets and liabilities. Owing to considerations of space it is advisable to show details of the changes in this figure on the balance-sheet itself, but a separate account can be rendered along with the balance-sheet, giving all entries in the estate account during the year.

To those not already acquainted with the book I should like to mention what is, in my opinion, the best work on this subject. It is "The Accounts of Executors, Administrators, and Trustees," by W. B. Phillips, F.C.A. It contains a complete specimen set of accounts, including all ledger accounts, the cash book, and the final balancing, with a settlement between the residuary legatees and specimens of the accounts submitted to them. The whole set is extremely well planned and is very easy to understand. I have followed it myself in all such work, and have found it a most satisfactory system.

I don't propose to go into the ledger accounts in any further detail, the matter is really only one of ordinary book-keeping specially adapted to the particular purpose, but I will endeavour to answer any questions to satisfy anyone's curiosity as to the most satisfactory way of keeping the ledger, and give any other information I can on the subject generally. However, as most of you will know as much as, or more than, I do I may add that I shall also be pleased to defend any of the principles I have outlined against whatever criticism you care to make.

In conclusion, let me add that the average layman needs a great deal of educating as to advantages of utilising the services of an accountant in connection with the conduct of executorships, administrations, and will-trusts, and much benefit will accrue both to the general public and to the accountancy profession when those advantages have been properly appreciated.

DEATH DUTY DECISIONS.

The Commissioners of Inland Revenue in their report for the year ended March 31st, 1928, have published the following summaries of judicial decisions in relation to death duties given in the Courts during the year:—

In re Morris, Skinner v. Sanders.—In view of the provisions of sect. 16 (5) of the Law of Property Act, 1925, the estate duty in respect of a testator's English realty does not fall to be discharged out of his personal estate. (Ch.; 71 S.J., 472.)

Lord Advocate v. MacMillan's Trustees.—On the construction of a will containing a gift over in the event of the decease of

residuary beneficiaries prior to the date of payment to them of their shares, it was held that a settled legacy (which fell into residue on the death of a life-tenant) did not vest prior to the death of such life-tenant and that, accordingly, no estate duty was payable on a share of such legacy in the estate of a residuary beneficiary who had pre-deceased the life-tenant, the gift over taking effect. (C.S. (Outer House). Not reported.)

In re Mellish.—On the death, since 1925, of the owner of an undivided share of English real estate, the estate duty which had been paid by his executor was held to remain a charge on the share. (Ch. Not reported.)

In re Cassel, Public Trustee v. Mountbatten.—On the death of a beneficiary entitled to the benefit of a continuing provision by a testator for the upkeep of certain premises; it was held that a claim for estate duty arose under sect. 1 of the Finance Act, 1894, and that the measure of value for assessment of the duty was the true value, under sect. 7 (5) of that Act, of the continuing right to enjoy the benefit conferred by the special clause. (Ch.; (1927) 2 Ch., 275.)

Attorney-General v. Belilios.—Where a testator, who had died domiciled in Hong Kong, had declared that his will should take effect according to the law of that colony, the fact that the residuary estate was vested in English trustees was held not of itself sufficient to support a contention that the forum for the administration of the estate was in this country. No claim for succession duty accordingly arose on the death of a life-tenant in respect of the settled moveables, the claim for estate duty being limited to the property situate in Great Britain. (C.A.; (1928) 1 K.B., 798.)

In re Thornley.—In a case where, under the Articles of Association, certain special pre-emptive rights to purchase shares were conferred on shareholders, a sale thereunder by a father to son at less than the apparent full value of the shares within three years of the father's death was held not to have conferred any benefit on the son taxable to estate duty as a gift, the father having acted on a reasonable view of what, as a whole, was best for his estate. (K.B.D. Not reported.)

Scottish Notes.

(FROM OUR CORRESPONDENT.)

The Late Mr. Wm. M. Ramsay, Aberdeen.

Incorporated Accountancy in the north-east of Scotland has suffered a further loss by the death of Mr. William Mitchell Ramsay, Advocate and Incorporated Accountant, partner in the firm of Messrs. C. and P. H. Chalmers, which took place on the 6th of last month. Mr. Ramsay was one of the early members of the Scottish Institute of Accountants, and became a member of the Society in 1899. He took a keen interest in all accountancy matters, and was a frequent and vigorous correspondent in preserving the rights of Scottish members of the Society. In his youth he was a distinguished student at Aberdeen University and a recognised authority in many branches of Scots law and conveyancing. Mr. Ramsay was of a literary bent and a wide knowledge of many languages, and will be much missed in Aberdeen.

Income Tax—Farmers' Partnership.

A case which recently came before the First Division of the Court of Session referred to a question of partnership between a farmer and his three sons. The father had been assessed for additional income tax for the years 1921-22 to 1927-28 inclusive, and his appeal against the additional assessment

had been sustained by the Commissioners for the General Purposes of the Income Tax Acts for the Upper Ward of Lanarkshire. The Commissioners of Inland Revenue appealed against the decision of the General Commissioners. The facts admitted or proved showed that the respondent and his three sons in March, 1919, took a lease of the farm of Gilkerscleuch Mains signing the lease as joint tenants. The respondent supplied the capital for the taking over of the sheep, stock, &c., to the value of £2,000 or thereby. He executed no deed of gift in favour of his three sons, and there was no deed of co-partnership between them. The bank account through which the proceeds of the farm transactions were passed had always been in the name of the respondent alone. All buying and selling had been done by him alone. The sons had applied themselves to the practical working of the farm. No wages were paid by the respondent to his sons, but the respondent had, from time to time, handed over to them on their request, such sums of money as were necessary to meet their requirements. No record of such disbursements had been kept. The respondent and his sons attended the hearing before the Commissioners for Lanarkshire Upper Ward, and stated that the stock and other assets on the farm in question belonged to the respondent and his three sons in equal shares; that the profits were divisible into four equal shares; and that there was a partnership at will in the carrying on of the farm, which could be brought to an end by any of the partners on reasonable notice, and that, on such termination, an accounting would be demanded. They also stated that the capital assets and profits of another farm belonged to the parties in the same proportion, and that there was a similar partnership at will in the carrying on of that farm. The respondent and his three sons, during the years in question, treated the farm of Gilkerscleuch Mains in their income tax returns as being carried on by them in partnership, and assessments on that footing were made upon them. In the autumn of 1927 the Inspector of Taxes called for evidence of the existence of a partnership, and, being of opinion that the evidence was insufficient, the additional assessments now in question were made upon the respondent upon the footing that he alone carried on the farm of Gilkerscleuch Mains. The Commissioners, on appeal by the respondent, held by a majority that a partnership was proved to have existed. The question for their Lordships of the Division now was whether on the facts the Commissioners were entitled so to hold. The Division answered the question in the negative, and the Inland Revenue Commissioners were awarded expenses. The Lord President said one did not create or prove a partnership by saying there was one. The only proof that a partnership existed was proof of community in losses and profits, and of the sharing in one form or another of the capital of the concern. In his opinion, there was here presented to the Commissioners no evidence whatever on which they were entitled to infer the existence of a partnership or, indeed, anything more than the kind of relationship, which certainly used to be not uncommon, of a father and his able bodied sons conducting a farm together.

Income Tax—Grazing Fields.

Another farmer's income tax case was settled by the First Division recently. A decision of the General Commissioners for the County of Perth was brought under review by an appeal by a firm of farmers against assessments under Schedule D in respect of profits arising out of wintering sheep. On behalf of the Inland Revenue it was contended that the assessments on the respondents under Schedule B covered only the profits or gains arising from their business operations on certain grazings and did not extend to any business operations carried on beyond the limits of these grazings on other lands. They said it was possible for a dealer to conduct like operations without having any farm in his own occupation and that in such a case he would be liable to be assessed under Schedule D on profits. The respondents' wintering operations having been conducted separately, the profits or gains therefrom, it was contended, fell to be assessed separately under Schedule D. The Commissioners for the Blairgowrie Division were of opinion that the wintering of sheep as practised by the respondents, and as commonly adopted in other districts, was only a subsidiary operation of ordinary management in connection with their grazings, already assessed under Schedule B, and that therefore the additional assessments

under Schedule D should be discharged. The question for their Lordships now was whether the respondents were assessable to income tax under Schedule D in respect of their wintering operations, in addition to the assessments under Schedule B in respect of the occupation of their two farms. The Division answered the question in the negative, the respondents being awarded expenses

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B.:-

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases (Scotland)*; S.L.T., *Scottish Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., President of Probate, Divorce and Admiralty.]

COMPANY LAW.

In re D. Simpson.

Reduction and Increase of Capital.

The Court of Session held that when a company has passed the necessary resolutions to reduce its capital subject to the approval of the Court, by writing down the par value of the existing shares, and on such reduction being confirmed by the Court, to increase its capital by the creation of further shares, the minute required to be recorded under sect. 51 of the Companies (Consolidation) Act, 1908, should set forth (1) the state of the company's capital after giving effect to the reduction as sanctioned, and (2) the state of its capital as increased by the resolution passed conditionally upon such reduction taking place.

(C.S.; (1929) S.C., 65.)

Coles v. White City (Manchester) Greyhound Association.

Contract to take Shares.

The Court of Appeal affirmed the decision of Eve (J.) (see *Incorporated Accountants' Journal*, February, page 170) and held that the plaintiff was entitled to the rescission of a contract to take shares in a company on the ground that the prospectus, without any fault on the part of the directors, failed to disclose the facts (1) that the land purchased by the company for its operations had been scheduled to a town planning resolution, which had been registered as a land charge, and (2) that, unless the consent of the local authority should be obtained before any buildings were erected, the company would not be entitled to compensation for their possible removal under the town planning scheme.

(C.A.; (1929) 45 T.L.R., 230.)

EXECUTORSHIP LAW AND TRUSTS.

In re Sleeman.

Gift to A and his Descendants.

Clauson (J.) held that a gift of real estate to A and his descendants creates an estate tail.

(Ch.; (1929) L.J.N., 163.)

In re Michell.

Codicils Executed on Same Day.

Eve (J.) held that the presumption that legacies given by different testamentary documents are cumulative, may be rebutted on a consideration of the documents.

(Ch.; (1929) L.J.N., 164.)

In re Putner.

Meaning of "All my Money."

Eve (J.) held that in the absence of anything in the context of a will which enlarges the meaning of the word "money," it includes only cash.

(Ch.; (1929) L.J.N., 273.)

MISCELLANEOUS.

Ramduth Ram Kissen Das v. E. D. Sassoon.

Arbitration and Statutes of Limitation.

The Judicial Committee held that a submission to arbitration does not *per se* exclude the right of a party to raise a defence of the Statute of Limitations.

(P.C.; (1929) L.J.N., 162.)

REVENUE.

Perrin v. Dickson.

Income Tax on Annuity.

The appellant took out a policy of assurance whereby in consideration of annual premiums of £90 payable from 1912 to 1917, the insurance company agreed to pay for the benefit of the appellant's son, an annuity of £100 for seven years from 1920 if the son should live so long. There was a provision that in the event of the death of the son the total of the premiums, less any amount already paid by way of annuity, but without interest, should be paid to the appellant.

It was held that as the contract was for the repayment of the principal sum by instalments, with or without interest in accordance with events, the appellant was not liable to be assessed to income tax under Schedule D in respect of the sums paid under the policy, except in so far as those sums included interest.

(K.B.; (1929) 45 T.L.R., 320.)

Leitch v. Emmott.

War Loan and Wife's Income.

The Income Tax Act, 1918, Schedule D, Case III, Rule 1 (c), provides that "the tax shall extend to profits on securities bearing interest payable out of the public revenue other than such as are charged under Schedule C."

Rowlatt (J.) held that income chargeable under Case III is not taken out of that Case by reason of the fact that the figure upon which tax is assessed is nil.

(K.B.; (1929) L.J.N., 274.)

Gillies v. Inland Revenue.

Income Gratuity Alienated.

A father who had paid a sum of money to his son, a married man of full age, under a gratuitous bond by which he had bound himself to pay to his son an annuity for a period of three years, claimed to deduct the sum in question in calculating the amount of his total income for super tax purposes.

The Court of Session (Scotland) held that the deduction was inadmissible in respect that the income alienated fell exactly within the description contained in sect. 20 (1), being for a period of less than six years, and that it must accordingly be deemed to be the father's income for super tax purposes.

(C.S.; (1929) S.C., 131.)